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A PICTURE OF WORLD ECONOMIC
CONDITIONS AT THE BEGINNING
OF 1930

Number IV

STUDIES OF INTERNATIONAL PROBLEMS

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A PICTURE OF WORLD ECONOMIC CONDITIONS AT THE BEGINNING OF 1930



NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.
NEW YORK
1930

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April, 1930

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PREFACE

THIS is the fourth book in the series of semi-annual publications on World Economic Conditions, issued by the National Industrial Conference Board in cooperation with its Foreign Correspondents. The Conference Board has undertaken this work because it recognizes that the economic development of the United States is subject to a wide range of international influences which require thoughtful attention on the part of American business men. In these periodical volumes, the Conference Board presents authoritative and up-to-date information showing the major trends in economic activity on a world basis.

This book differs from the previous volumes in this series in one significant respect. By mutual arrangement recently made, the Annual Report of the President of the International Chamber of Commerce, entitled, "World Economic Conditions in 1929," is given in Part I of this book in place of the Conference Board's own review of economic conditions in foreign countries, heretofore forming Part I. The Report of the International Chamber of Commerce is followed by a somewhat extended review of the economic conditions in the United States at the beginning of 1930, in which the National Industrial Conference Board follows its practice of presenting, especially for the benefit of the Board's foreign readers, an outline of the main factors in the economic life of this country.

Part II of the book contains, as usual, a series of original articles in which Foreign Correspondents of the Conference Board state their views on significant economic developments and problems in their respective countries. Thus, American readers are enabled to see foreign problems and conditions through the eyes of competent foreign observers.

We note with great pleasure that the Conference Board has received, in time for inclusion in this book, reports from Sir Arthur Balfour and, in behalf of the Midland Bank,

Ltd., from the Rt. Hon. Reginald McKenna for Great Britain; from Mr. Franz von Mendelssohn for Germany; from Mr. André Siegfried for France; from Mr. Antonio S. Benni for Italy; from Mr. E. Heldring for the Netherlands; from Mr. Louis Dapples for Switzerland; from Mr. Hieronymus Heyerdahl for Norway; from Mr. S. D. Alexander for Jugoslavia; from Mr. Alexander Popovics for Hungary; from Sir Henry W. Thornton for Canada; from Mr. Santiago E. Soulas for Argentina; from Sir Lennon Raws for Australia; from Baron Takuma Dan and Baron Koyata Iwasaki for Japan.

In presenting this material, the Conference Board wishes to express its great obligation to Mr. Georges Theunis, President of the International Chamber of Commerce, and to the Board's Foreign Correspondents for their generous assistance in providing American industry, through the National Industrial Conference Board, with a better understanding of world economic conditions.

In the preparation of its publications, the National Industrial Conference Board avails itself of the experience and judgment of the business executives who compose its membership and of recognized authorities in special fields, in addition to the scientific knowledge and equipment of its Research Staff. The publications of the Board thus finally represent the result of scientific investigation and broad business experience, and the conclusions expressed therein are those of the Conference Board as a body.

MAGNUS W. ALEXANDER

President

New York City
April, 1930

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PART I

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PART I

WORLD ECONOMIC CONDITIONS IN 1929

By Mr. Georges Theunis, President of the International Chamber of Commerce, Paris

IN HIS report last year, my distinguished predecessor, Dr. Alberto Pirelli, presented a summary of world economic conditions during the ten years that followed the war and called very timely attention to the importance of monetary questions during that period.

Europe has taken several years to return to the gold standard. Even yet, in many cases, the last stage has not been passed; only the gold exchange standard has been reached.

In the present report it has seemed advisable to devote considerable space to international movements of capital, as also to industrial and banking concentration, and the fall of the price level—the most striking characteristics of the past year.

FINANCIAL CONDITIONS

From the point of view of international movements of money, the outstanding feature in 1929 was the attraction of short-term European capital to the New York Stock Exchange. This resulted, during the first nine months of the year, in a general tightening of money on the markets of the Old World, the first consequence of which was a raising of discount rates by the banks of issue. Gold exports to the United States of America were resumed on a large scale, foreign issues in New York having come to a standstill. England was the first to feel the effects of this concentration of capital in New York. Then, during the last quarter of the year, came the stock exchange crisis of New York that resulted in a return of capital to Europe, a lowering of discount rates and a general easing of the situation. But at the same time the depression of securities spread to the great European

exchanges: London, Paris, Berlin, Brussels, Amsterdam, and even made itself felt in Eastern Europe, where the money market is usually not very active. The effects of the stock exchange crisis also extended to the Baltic and Scandinavian countries, in particular to Sweden, whence large amounts of capital were exported.

Despite the speculative tendencies that attracted capital to New York, the policy of the European banks of issue was characterized in 1929 by a general determination to increase stocks of gold and to pass as far as possible from the gold exchange standard to the gold standard. The heads of the banks of issue realized that the existence of large foreign holdings, necessary to the working of the gold exchange standard, presents certain drawbacks, especially the establishment of bases of credit that can escape from normal fluctuations of exchanges and be repatriated for national needs. Thus, the liquidation by France of part of her holdings in London and their conversion into bar gold increased the difficulties of the Bank of England.

During the year 1929, the European monetary system made further progress towards a return to gold. Some European countries improved their national currency. Czechoslovakia reached the last stage of legal stabilization, abolished the pegging of the crown to the dollar and adopted the gold exchange standard, leaving to the bank of issue the choice of the right moment to restore the gold standard and make paper money convertible into gold.

In 1929, Norway passed through the first year of currency stability after the return of the crown to its old parity. Switzerland, whose currency had been perfectly stable for many years, abandoned bi-metallism, adopted mono-metallic gold, and decreed the adoption of the gold exchange standard, leaving to the bank of issue the right to return at the proper moment to the gold standard.

The Grand Duchy of Luxemburg also undertook a currency reform that placed it, from the monetary point of view, in the same position as Belgium, with which, moreover, it forms a very close economic union.

Italy effectively pursued her efforts to adjust her economic structure to the new value of her currency.

Rumania also proceeded to the stabilization of its currency by reorganizing its bank of issue, imposing heavy taxation to restore a balanced budget, and concluding a loan for 101 million dollars to support the leu.

Finally, Japan returned to the gold standard, and the Indo-Chinese piastre was stabilized.

On the other hand, the depreciation of various Latin-American currencies, the closing of the Argentine Conversion Board, the fall of the milreis, of the peseta and of the Turkish pound, are to be deplored.

The depreciation of South American currencies has had detrimental effects upon the progress of industry both in Europe and in the United States of America.

In the sphere of government finance, various general remarks are called for.

Governments have been obliged to direct their policy away from foreign loans. This evolution, however, is not spontaneous. If some Governments have been able to turn to their local markets and to oblige public organizations under their control to do likewise, it is because their own markets were again in a position to deal with important operations, there being sufficient accumulation of capital and investors no longer fearing to take up fixed revenue loans. But certain countries, such as Germany, Austria, Hungary, were obliged to refrain from having recourse to their usual lender, New York, because the latter was almost entirely closed to foreign issues, the attention of American investors and capitalists being concentrated upon national securities, carried upward in the boom.

Preoccupations of a budgetary order, that were of such great importance during the years of European reconstruction, have passed into the background. Of course, the desire for balanced budgets continues to inspire Governments; public opinion, in many countries, would very quickly take alarm at a deficit, but it may be considered that in this respect we have returned to an almost normal position. The time is not far distant when loans issued at burdensome rates may be made the subject of logical conversion. Many countries that were obliged to suspend public works as a result of the precarious state of their public finances and

tension on their own market, will again be able to address themselves to national investors, and a moderate use of Treasury notes, as well as a decrease of swollen treasuries, will mark a definite return to a normal situation.

In a fairly large number of countries, one may also record a reduction of taxation and particularly a tendency to revise direct taxes. This is so in Belgium, Czechoslovakia, France, Germany and the United States. In Great Britain, unfortunately, the burden of unemployment and general conditions have not permitted relief from taxation and one may even forecast an increase of certain taxes when the next budget is introduced, as a result of the deficit foreseen for the current fiscal year.

Reductions of taxation are justified by the large surpluses of many budgets, freed from extraordinary charges and enriched by a multitude of taxes. Taxpayers, heavily burdened, are anxious to see a reduction of budget surpluses, the extent of which is incompatible with sound financial policy.

While the investment of available Treasury funds abroad strengthens national exchange at a time when public opinion is not yet reassured as to the efficiency of the various monetary reforms, it presents the drawback of disturbing the money market and warping the direction of credits. Relief from taxation is justified, moreover, by the fact that the insufficiency of revenues from normal taxation during the years of European reconstruction has constrained Governments to apply rates that cannot be maintained after the return of States to normal conditions. There is no reason to persist in exaggerated taxation of incomes any more than of articles of consumption.

The short-term money market was dominated by the combined needs of New York and of Germany, and by the repatriation of gold by the Bank of France. The policy of restriction practiced by the Federal Reserve Board was unable to prevent European capital, attracted by the high call-money rates, from reaching New York by roundabout ways: brokers obtained speculative credits from industrial enterprises. To a certain extent the policy of controlled money practiced in the United States did not give the results

that had been expected. On the other hand, England succeeded in maintaining her circulation at a constant level, despite the considerable fluctuations of her gold holdings. The Bank of England managed to do this by buying and selling public bonds upon the London market. The reports of the presidents of the "big five" English banks are unanimous that the policy of the Bank of England was perfectly effective.

France provided her bank of issue with new possibilities, permitting it to negotiate paper on the market, but fiscal barriers have not yet made it possible to put this innovation into practice.

1929 cannot be considered as having been a cheap money year. It was essentially a year of wide fluctuations, the discount rate of the Bank of England having been changed no less than five times.

The following table gives the changes in the discount rates of some of the banks of issue:

United States	Great Britain	France	Germany	Belgium
Jan. 1...5.0	Jan. 1..4.5	Jan. 1...3.5	Jan. 1..7.0	Jan. 1...4.0
Aug. 9...6.0	Feb. 7..5.5	U	Jan. 12..6.5	Aug. 1...5.0
Nov. 1...5.0	Sept. 26..6.5	N	Apr. 26..7.5	Nov. 14...4.5
Nov. 15...4.5	Oct. 31..6.0	C	Nov. 2..7.0	Dec. 31...3.5
	Nov. 21..5.5	H		
	Dec. 12..5.0	A		
		N		
		G		
		E		
		D		
Netherlands	Austria	Italy	Poland	
Jan. 1..4.5	Jan. 1...6.5	Jan. 1..5.5	Jan. 1...8.0	
March 23..5.5	Apr. 24...7.5	Jan. 7..6.0	Apr. 19...9.0	
Nov. 1..5.0	Sept. 28...8.5	March ...7.0	Nov. 15...8.5	
Dec. 16..4.5	Nov. 23...8.0			
	Dec. 7...7.5			

It cannot be denied that, because of circumstances, the banks of too many countries are obliged to maintain high discount rates detrimental to industry and trade. This shows that the distribution of capital could be further improved, to the great benefit of production and consumption. Thus in one country, for example, where private credit is extended at rates varying from 16% to 30%, and agricul-

tural credit is currently given at 35%. If one considers that the official discount rate has never exceeded 9.5%, it will be agreed that that country is facing an abnormal situation. However, it must be pointed out that peculiarities of its laws have kept out foreign capital and that the absence of local capital makes it impossible to satisfy credit needs.

Taken as a whole, there was an active movement of capital issues in 1929 on the various markets, but these issues were nearly always intended for the needs of national industry. The great money markets, France, United States, England, were not called upon by their usual borrowers to the same extent as previously.

After the drastic deflation of the New York Stock Exchange, the fall of securities became more marked throughout the world. It is fair to say that, if New York carried the other exchanges upward, this movement was somewhat artificial, as in Berlin, London, Brussels, Poland, Switzerland, Estonia, Finland, Czechoslovakia, it was possible to record in the early months of 1929, and even at the end of 1928, a downward movement of stock exchange values. This movement was resumed and became more marked after the New York crash, but the latter was not the only factor of depression.

Since the war, stock companies have increased in number throughout the world, and this has given all the more importance to stock exchanges. This is a consequence of the evolution of industry itself, that, as a result of concentration, needs ever-increasing amounts of capital that private individuals alone can supply only in exceptional cases, but also this evolution was possible only because of a change in the conception of wealth by the masses who have come to attach greater importance to securities. But at the same time the multiplication of shares and, if one may say so, the democratization of stock exchanges, have attracted to the latter new masses of investors whose inexperience causes nervousness on the money markets.

It has seemed important to emphasize this diffusion of securities among ever greater masses of the population: it is a factor both economic and social.

There is comparatively little to say as to banking. The

concentration of financial institutions continued, especially in the United States, Germany, Italy and Japan. Banks are becoming more and more a basic factor of our economic organization, and their branches penetrate into regions where before the war they were totally unknown. In this respect, the example of the United States and of Great Britain plays a part that is far from negligible. The growing influence of banks is also shown by the increase in the number of clearing houses, the accumulation of deposits and the attitude of the public and of business towards them.

It is also possible to observe an interesting evolution of the three great money markets: London, New York and Paris.

New York, somewhat disturbed by the excesses of the stock exchange, has played a less constructive part than in previous years. The Federal Reserve System was obliged to take local developments into account first of all, and the New York market was not freely open to foreign borrowers. The situation was also complicated by constant gold imports at a time when it was necessary to practise a very cautious acceptance policy, the high cost of money tending to keep that kind of business away from New York.

With gold holdings equal only to a quarter of those of New York, and assailed by very many difficulties, the Bank of England preserved for London its reputation as an international financial center. But while attaching primary importance to its money market, London is obliged to give increasing attention to the needs of British industry. This is the reason of an evolution the principal features of which are: the joint stock banks have somewhat departed from their close specialization and are developing their acceptance business to the point of taking the place to some extent of the acceptance houses. The liquid nature of loans is compromised by the precarious situation of industry, and able minds are urging upon English banks a change of attitude and the adoption towards industry of the policy of the banks of continental Europe, and in particular of the banks of Belgium and Germany, where these methods have proved their worth; but in order to perform this function English banks will have to increase their own strength. It should be pointed out that the Bank of England has supported the

claims of national industries by the creation of the Securities Management Trust that will develop into a powerful long-term credit organization. On the other hand, the Paris market is dominated by the gold holdings of the Bank of France that are equal in amount to one-half of the gold reserve of the United States. In addition, the Bank of France has foreign holdings estimated at one billion dollars. In utilizing these important reserves the interests concerned are giving consideration to the effect of their policy on the general welfare. The Bank of France has already taken steps to facilitate the development in Paris of a short-term money market. Thus it has introduced the discount of seven-day paper, prolonged the time of presentation of paper for discount, and encouraged the creation of an acceptance bank that will fulfill in Paris the same functions as the London acceptance houses. Besides, since the war, the principal financial institutions in Paris have greatly extended their acceptance business.

As the Paris market has regained its pre-war importance as a long-term capital market and is preparing to develop actively its short-term money market, there will in future be three principal markets, London, New York and Paris, to which industrial and commercial interests of the entire world will be able to turn, without, however, neglecting financial centers of secondary importance, but of unquestionable value.

The existence of three competing international financial centers will have a favorable influence on the determination of money rates, and will also introduce greater regularity in international monetary operations as a result of the distribution of risks.

In closing this chapter on monetary policy, reference may be made to the creation of the Bank for International Settlements from which much is expected as regards international transfers of capital. I shall come back to this important event later on.

INDUSTRIAL CONDITIONS

The general position of industry was favorable in 1929, but certain branches suffered from depression.

The textile industry continues to suffer from overproduction, brought about by the creation of new mills in various countries, and increased equipment in already existing enterprises. The development of Far Eastern industry has been particularly detrimental to the exports of European weavers. Cotton mills, both for spinning and weaving, are now being established in Africa, where the raising of cotton has made considerable progress in the last ten years. Thus Belgium has established in its colony, the Congo, large factories that will be able to supply the needs of barter. These new developments are not of a nature to improve the position of the European cotton industry. Besides, the latter is suffering from the competition of artificial silk, an industry organized with a view to mass production and faced with a crisis of overproduction, to remedy which agreements are being sought.

The coal industry and the steel industry were, on the whole, sufficiently active. The mechanical industry, and in particular the manufacture of railway equipment and rolling stock, passed through a period of normal activity, in spite of the fact that exporting countries are in a somewhat more difficult position as a result of the policy of protection practised on their natural markets, which are trying to make themselves self-sufficient.

The construction of electrical equipment has had a good year. It owes its continuous development to the extension of power distribution systems and to progress in the rationalization of electrical production in many countries. The development of hydro-electrical power has continued in those countries that possess it, especially Italy, France and Canada; meanwhile, coal-producing nations are creating important thermal plants and rationalizing their development.

Despite the depression from which ocean shipping is suffering, there has been a fairly large increase in the number of bottoms laid and shipbuilders of certain countries appear satisfied. However, prices are not very remunerative.

The chemical industry profited by an ever-increasing consumption of synthetic fertilizers, especially in Far Eastern countries. The utilization of the by-products of coal, more and more considered as a raw material, the recuperation of

the by-products of metallurgy, the study of synthetic carburants, have all made remarkable progress in the last ten years. Belgium has pushed the rationalization of its coal and chemical industries very far, as also the production and distribution of electricity.

In the United States, the manufacture of motor vehicles surpassed all previous results. European manufacturers have also displayed great activity, but towards the end of the year the stagnation of the stock exchanges, by restricting purchasing power, slowed down the sale of motor vehicles. Besides, towards the end of the year the output of American plants fell considerably.

The building industry, so prosperous in recent years, suffered a serious slowing down in a large number of countries, especially in the United States, Czechoslovakia and Belgium. But many Governments are contemplating important public works, the execution of which had been delayed by the monetary crisis, and these schemes will to some extent offset the lack of private building.

When one considers world industrial evolution since the war, one cannot fail to be struck by the increasing importance assumed by the production of articles of consumption. If the industrial revolution of the beginning of the nineteenth century saw the expansion of the textile industry, if the period of development of railways and of steam navigation marked the great progress of metallurgical industries and of coal, the post-war period appears to us to be characterized by the expansion of industries supplying current needs and contributing to the comfort of the masses. Just as increasing numbers of the masses are accumulating capital in the form of securities and taking an interest in stock exchange transactions, thus satisfying the incessant needs of industry for capital, so the general improvement in the living conditions of wage earners in recent years and the spread of education have intensified the demand for food-stuffs, luxury and semi-luxury articles, such as automobiles, radio sets, moving picture films and artificial silk goods.

If increased consumption throughout the world is the sign of an improved condition of the masses, it is at the same time that of a very important industrial evolution. For

many years the coal industry and the iron and steel industries were those that absorbed the most capital and supplied the products playing the most important rôle in production. Today, in the United States, for instance, the automobile industry has taken first place. It gives direct employment to 3,800,000 people, indirect employment to 535,000: a total of 4,335,000 workers.

It is obvious how serious a decrease of world purchasing power would be to this great number of people and how gravely in turn unemployment in the automobile industry would affect economic conditions in America. The automobile industry plays an important part in supporting the prosperity of the steel, coal, glass, rubber, textile and electrical industries. The capital invested in it is enormous. The same is true of the moving picture industry and of the radio industry. Increased consumption has attracted large amounts of capital to the distribution of goods, and during the years that followed the war there were important concentrations of department stores, breweries, distilleries, and canning factories, more especially in England. Chain stores have become one of the characteristic features of the organization of retail trade in many countries. Branches of large department stores penetrate into the small localities, along with bank branches, motor garages and moving picture houses. This extension is possible only because of a certain uniformity in ways of living, a certain moulding of the masses that overshadows national particularisms. But the novelty of this expansion may induce mistakes; thus, in several countries, the too early concentration of certain industries manufacturing articles of general consumption has resulted in losses to investors. It cannot be denied, however, that in a few years, investors will have learned their lesson and promoters will also become more cautious, and thus a very important evolution will have been brought about. But the essential condition of this evolution resides in a minimum of freedom for international exchanges, permitting the widening of markets.

In the course of the year 1929, industrial concentration continued to progress, especially in the United States, in France, Great Britain, Germany, Italy and Belgium. The

crisis from which Great Britain is suffering obliges industry to reorganize by reducing the number of undertakings, so as to arrive at a more efficient use of capital, labor and raw material. But such reorganization is greatly hampered by the precarious financial situation of the old industries.

Germany continues its reorganization and rationalization of industry. In many cases more healthy conditions have resulted. The electrical industry saw three important mergers in 1929. In the automobile industry the number of independent firms was reduced from 67 to 40. In banking, there was the very important Deutsche Bank-Disconto Gesellschaft merger. Finally, one may point to mergers in the mining, metallurgical, building, piano, watchmaking and soap industries.

In Italy, a series of mergers were brought about in metallurgy; a single great enterprise today controls 90% of the output of cast-iron and 50% of the output of steel. There has been a reduction in the number of electrical companies and a concentration of capital. Italy has also seen concentration develop in shipbuilding, insurance and banking.

In Japan, the concentration of the textile industry has further progressed. In this country, the law obliges banks to own a given minimum of capital, and this has induced a series of mergers.

In the United States, there has been a change in the attitude of hostility towards trusts, and great mergers are accepted by public opinion. The concentration of American banks continued in 1929 and was marked by mergers of great importance.

In Belgium, concentration made very marked progress during 1929. The fact is all the more remarkable as these mergers were brought about in a period of prosperity, the high rate of earnings at such times being in general more likely to promote individualism. The extreme activity of the money market in Belgium was very favorable to concentration.

It is difficult to give any reliable information about Soviet Russia. The great political movements still agitating that nation hamper the play of world economic exchanges. The closing of that immense market is a cause of constant un-

easiness. Furthermore, in 1929, Russia, while displaying hostility to producers of other nations, made an effort to conquer certain markets. Thus the underselling of Russian flax was extremely detrimental to the spinners of Western Europe; likewise the dumping of matches led to unemployment, especially in Belgium. At present the Soviet authorities are trying the experiment of immense collective farms cultivated in common by scientific methods. Labor is to be furnished by the small peasants whose existence becomes more and more difficult. It would seem that this attempt will meet with many difficulties and it may lead to new upheavals in Russia.

In the sphere of international ententes, concentration has made no very great progress: the year was marked by the denunciation of the zinc "cartel." The rubber market remained disorganized as a result of the prolonged rupture of the entente between producers. On the other hand, the steel and the copper cartels gave favorable results, as did the entente for the production of wood pulp between Scandinavian countries, and international ententes for various other industrial products.

The match trust pursued its world-wide progress, obtaining a monopoly of production in various countries. The merger of the "Margarine Unie" and "Lever" interests gave world-wide importance to this industrial group both in countries consuming margarine, oil and soap and in countries producing oleaginous materials.

France adhered to the benzol, ferro-tungsten, railway car and superphosphates cartels.

Before closing this brief review of the industrial situation, we would call attention to the growing industrialization of various countries that may be divided into two categories: the first are old countries that have arrived at a high degree of wealth which has made possible great accumulations of capital; the second are new countries, colonies and dominions, great borrowers of capital.

In the first category, one may class the Netherlands and Sweden; in the second, the many countries of Eastern Europe, Africa, South America and Australia.

Holland seems to be the country where industrialization

most deserves attention. Here is an old trading nation, whose strength lies in colonies, in agriculture and in its merchant fleet. The accumulation of capital is very large and Holland is the creditor of many nations. During the post-war days, the financial market of Amsterdam acquired great importance and successfully floated many foreign loans. Likewise, Amsterdam made a great effort towards the development of an acceptance market in florins. There is today in the Netherlands a rapid movement of industrialization. The coal output is being increased and Holland has become an exporter of that product; at Ymuiden, but a few years ago a mere fishing port, three blast furnaces are approaching completion. The chemical industry, in particular the production of nitrates, is being developed. In one year, the glass factory of Maastricht increased its activity by 28% and Dutch brick kilns have succeeded in ousting Belgian production. In the artificial silk, electric lamp and margarine industries, Holland is playing a notable part.

Sweden is being led towards industrialization by the development of her hydro-electrical resources and mines.

Industrialization of these countries, whose economic development is of long standing, deserves close attention, for it is being carried out with the aid of large resources; capital is furnished by national savings, goods are carried in national bottoms and skilled labor, although at high rates, can easily be found. A perfect banking organization is at the service of nascent industry. On the contrary, new countries that are becoming industrialized, will, for years to come, enjoy the advantage of low wages and a complete absence of labor laws, but will suffer from inefficiency of labor, low internal consuming power and high cost of capital. Industrialization of these countries can only be achieved, in many cases, by capital from over-industrialized European nations that are suffering from the restriction of their markets. These differences of position explain the variability of prevailing tendencies in these various countries as regards commercial policy, as well as the difficulty found in arriving at formulæ capable of harmonizing their divergent national interests.

CONDITION OF AGRICULTURE

Agriculture is also undergoing a movement of concentration, which, because of the very conditions of production, cannot show itself in an increase in the average size of holdings, but only in the creation of joint sales organizations. In the United States, the American Cotton Growers Association and the Federal Farm Board have recently formed the United States Cotton Marketing Corporation, a cooperative company with a capital of 30 million dollars that will buy the cotton from members and even from independents, build vast cotton warehouses and ginning mills, and finance the crop by long-term credits. The Federal Farm Board has also taken part in the formation of the Wheat Stabilization Corporation, that will buy wheat both from its members and from independents, build warehouses and grain elevators, centralize sales and, if need be, export at a loss.

The Wheat Stabilization Corporation will receive from the revolving fund of the Federal Farm Board an additional loan of 100 million dollars.

In Canada, the Canadian Wheat Pool makes possible the accumulation of very big stocks on which large sums have been advanced.

CONDITION OF LABOR

Let us now turn to the industrial situation from the point of view of labor. Unemployment still continues to an alarming extent. In Great Britain, there are 1,200,000 unemployed; in Germany there are more than 2,550,000; in Italy, the average totally unemployed in 1929 was 300,000, a slight decrease on the figures of 1928. As to the United States, no official statistics exist, but cross-sections of unofficial figures lead to the conviction that the number of unemployed is fairly high.

From the point of view of labor conflicts, the year 1929 may be considered as having been really very calm. Strikes are a feature of modern economic life that unfortunately must always be taken into account, but in 1929, the importance of labor conflicts appears to have been very much smaller than during the previous years.

Wages showed a tendency to become stabilized, especially in the United States. England saw a decrease of wages in the textile industry, brought about by peaceful negotiation. The railway companies had already set the example. But in countries where monetary stabilization is still recent: Belgium, France, Hungary, wages have continued to show a general tendency to rise. That is primarily due to the adaptation of prices to the new monetary units. But the general rate of production would seem to indicate that great variations in wages, incompatible with the general price tendency are a thing of the past.

If, as we have seen, the activity of world industry in 1929 may be considered as most satisfactory, agriculture, on the contrary, has no cause to congratulate itself on the results of the year. The reports from various countries where agriculture plays an important part, bear witness to the generally difficult situation of the agricultural interests and to a decrease in their purchasing power. This depression has shown itself in a marked fall of the prices of agricultural products, whereas retail prices and those of manufactured goods were far from following as rapidly. Mr. Keynes has recently said that the centers of the depression that threatens the world are not to be found in London or New York, but in agricultural countries: South America, Australia, Asia and Central Europe.

Brazil has attempted to valorize its coffee crop, but this has met with great difficulties. The persistent disorganization of rubber production has led to a further fall in prices and brought about a crisis on the plantations threatened by competition of native rubber; the intensity of this crisis will probably contribute to facilitating the application of a new plan to restrict the bleeding of rubber-trees, now being discussed.

The world wheat crop was above the average. National production supplied a large part of the needs of countries that usually import wheat, and the result has been the accumulation of large stocks in exporting countries. Thus Canada and the United States are at present experiencing difficulties in exporting their wheat to Europe.

On the continent of Europe, Spain increased the area

under wheat by 500,000 acres and the resulting increased crop is estimated at 15 million quintals. In Italy, if the area under wheat has not been increased, production has been intensified by better cultivation methods suggested by the Government, thus making it possible to reduce imports of wheat by 1,000 million lire. In Rumania, the harvest reached 123 million quintals against 81 million in 1928 and 85 million in 1927. It is therefore easy to understand that agricultural interests complain of dullness in the wheat trade.

The production of beet sugar in Europe is undergoing a serious crisis owing to the competition of cane sugar. It so happens that in Europe—a region of intensive agricultural production—the raising of sugar beets is of considerable importance as regards the rotation of crops, the fattening of live-stock and the raising of horses. This explains why most governments are endeavoring to adopt measures to protect both the sugar industry and the agricultural classes. Unfortunately this policy usually results in an increase of protection.

European countries producing olive oil, especially Spain and Italy, are also suffering from dullness in trade. In Spain, exports of oil have decreased by 60 million kilos; in Italy, a big harvest had to be disposed of on a falling market.

Italy, Spain, and France all complain of the over-production and falling prices of wine; discontent appears to be particularly strong among French wine-growers.

The over-production of American cotton, taken in conjunction with the crisis through which the textile industry is passing, has led to a campaign in the United States for the reduction of the area under cotton, and has also led the Government to encourage the creation of joint sales organizations. Countries where cotton cultivation has been recently introduced are suffering from this state of affairs.

If the production of cereals, sugar, textiles, presents itself under a rather unfavorable light, one cannot, on the other hand, fail to be struck by the increasing importance of farm products: butter, eggs and milk, market-gardening and potato-growing. The growing of potatoes is extending more and more in Eastern Europe, where potatoes are becoming a normal element of the food of the masses.

In these regions also the cultivation of hemp is assuming more importance and is competing with Italian hemp.

In Europe, the production of eggs and butter is constantly increasing. The Scandinavian countries, Holland, Belgium, Ireland and Poland are continually widening the markets for their eggs, that constitute an important element of their trade balances. The great increase in the amount of poultry may also have a favorable influence upon the cultivation of maize.

The raising of milch cows and the fattening of live-stock have also given good results.

The efforts made by producers of eggs, meat, butter, vegetables, etc., to improve the quality of their products are worthy of attention. Intensification of the output and improvement in the quality of these products show that, in the case of many industrial nations, there is at once an increase in the quantity of consumption and a raising of the quality standards of the masses. This tendency may be compared with the increasing importance of distribution in economic life.

MOVEMENT OF PRICES

One of the more characteristic features of the year 1929 was certainly the accentuation in the fall of wholesale prices that began in 1924. From this period to the end of 1929, the fall of wholesale prices amounted to 20%, but it was particularly felt in 1929. Prices of cereals, maize, sugar, cotton, wool, jute, hemp, silk, tin, zinc, lead, petroleum and coffee, all fell considerably, a condition that certain attempts to maintain prices by restricting production have failed to remedy. Attempts to valorize coffee, to support cereals stocks by means of large credits, to restrict the production of non-ferrous metals, have so far only given inadequate results.

The general fall of prices has reduced the purchasing power of the agricultural population and of those engaged in mining, all the more so as the fall in retail prices has been much less marked and much slower than the fall in wholesale prices. Besides, so far, current consumption has not shown any marked reduction; it has even further developed in the

United States. However, the slackness of certain semi-luxury trades and the difference between wholesale and retail prices are among the reasons why economists do not expect that 1930 will be as prosperous a year as those that followed the war. In addition, one must not forget the immediate consequences of the stock exchange crisis, agricultural depression and the instability caused by heavy permanent investments during recent years.

INTERNATIONAL TRADE

In the course of the year under review, the movement of international trade was very active and marked by increases both of imports and of exports of many countries. It is revealed in the tonnage statistics, for the general fall of price levels frequently led to a drop in the value of exports, except in countries where the adaptation of monetary conditions is not yet complete, as, for instance, in Belgium and France.

The great industrial activity, that characterized the past year, was marked, for countries exporting manufactured goods, by an increase in their imports of raw materials. The great animation in international transactions ought to have exerted a favorable influence on maritime shipping and to have led to an increase of freight rates. However, the superabundance of available tonnage acted in a contrary direction, and the situation of maritime shipping was not very favorable. The stagnation of the wheat market and that of non-ferrous metals complicated the situation towards the end of the year.

Air transport continued to make great progress; that recorded in Eastern Europe being especially noticeable. Likewise, liaison between railway and highway transport has marked a new stage in the problem of transportation.

In several countries: the United States, France and Great Britain, railway companies have created autobus services or have obtained control of existing motor services. One may expect a very important evolution in this direction, the railways giving way more and more to motor vehicles and autobuses for medium hauls.

ECONOMIC CONDITIONS IN INDIVIDUAL COUNTRIES

Economic conditions in the countries whose National Committees sent in their reports in time for the present publication, are briefly reviewed below.

We have sought in particular to bring out special features concerning the evolution of these countries, rather than to follow any systematic and uniform plan. Fundamental economic differences existing between the various nations must of course be taken into account. However, on the movement of prices, on the crisis of textile industries, on the difficulties of agriculture, information will be found, the repetition of which may appear somewhat monotonous. As a matter of fact, these indications have been multiplied on purpose, so as to enable readers to appreciate the importance of the fall in the price level and of the agricultural depression throughout the world, as well as to supplement the general indications given in the first part of this report.

The United States

We shall begin by a brief review of economic conditions in the United States, as that country has not only become the most important producer in the world, but its very special situation in the international money market gives it a place of its own in world economics.

During the first half of 1929, the level of production, as well as of turnover, remained very high. In the course of the summer, a slackening of activity was noticeable, and this depression was greatly accentuated during the last two months of the year, as a result of the stock exchange crisis. However, towards the end of the year, there was an attenuation of the slowing down of economic activity. Generally speaking, the tendency was towards industrial overproduction, although consumption developed considerably in certain regions and retail sales were extremely satisfactory.

Profits were high during the entire year and shareholders profited to an unusual extent in the distribution of special dividends. The average of profits was 20% higher than in 1928.

Steel production in 1929 increased by 8½% over 1928,

every month from February to September inclusive showing a higher daily average than had ever been recorded in the highest month of any previous year. Automobile production, including Canada, with an output of 5,600,000 cars, exceeded by 1,000,000 the corresponding figure for 1928. Exports reached 536,201 cars and trucks, against 507,097 in 1928. In November and December, however, production declined very rapidly, and the result for the year was due entirely to the very high rate of output maintained during the first part of the year.

The output of electrical power was 97 thousand million kilowatt-hours against 88 thousand million in 1928.

On the other hand, the building industry was extremely dull. The total amount of contracts let in 37 states decreased 13% and amounted to 5,754 million dollars, against 6,628 millions in 1928. In November 1929, building contracts let in 37 States were 17.1% below those let in November, 1928. The immediate prospects for the erection of private dwellings are not encouraging, but it is to be hoped that public building will to a certain extent compensate this depression.

In 1929, foreign trade in merchandise showed an increase of 3% in domestic exports over 1928, and an increase of 8% in imports.

Agriculture continues to be affected by over-production of cereals and cotton. The total value of agricultural output was 85 million dollars more than that of 1928. The potato crop, although 23% smaller in quantity than that of the preceding year, was sold at nearly twice the price. As we mentioned in the first part of this report, the "Federal Farm Board" intervened to create an organization capable of supporting the cotton and wheat crops.

Despite a relative improvement in the prices of cereals, the situation of the agricultural population of the West remains difficult, because stocks are very high and exports very low. Southern States are still suffering from the harmful effects of the failure of the land boom in Florida, from the fall in cotton prices and damage caused by storms. In New England, the textile industry is depressed and sugar refineries and rubber factories feel the consequences of price fluctuations in their raw materials.

However, taken as a whole, the prosperity of industry attenuated the consequences of the stock exchange crisis, that were moreover severely felt in Europe.

We referred at sufficient length in the first part of this report to the position of the New York Stock Exchange for it to be unnecessary to go over this question again. During the first 10 months of the year, the United States imported \$276,000,000 worth of gold, but during the last two months, its gold exports reached over 100 million dollars. Imported gold came from the Argentine, Canada, England and Germany. The largest gold exports were made to France. These exports were not compensated by foreign loans. Security issues, however, attained record figures: 11,604 million dollars against 9,992 millions in 1928. A certain number of these issues were actually renewals or conversions, yet fresh capital attracted to stock exchange securities amounted to 10,195 million dollars in 1929. As usual, the majority of issues were by stock companies.

On the other hand, the public displayed an increasing interest in shares and the issue of bonds became more difficult. Investment trusts played an important part in the issues to which they subscribed to the amount of 2,233 million dollars. The principal countries borrowing from the United States were Canada, South America, Germany and Sweden.

News from America is now fairly optimistic, and President Hoover recently stated that in his opinion the effects of the stock exchange crisis upon business may disappear in a month or two.

The following figures give an idea of the activity of the stock operations (in thousands of shares):

Year	Shares Sold	
	On the New York Stock Exchange	On the Curb Market
1924	282,033	..
1926	449,103	..
1927	576,991	93,437
1928	920,550	230,044
1929	1,124,991	473,771

On the other hand, the stock exchanges of the other cities also showed marked activity (in thousands of shares):

Year	Chicago	Philadelphia	Boston
1927	10,695	7,959	8,807
1928	38,940	17,850	18,240
1929	82,216	35,520	24,652

The following tables give information concerning issues of capital.

CAPITAL ISSUES IN THE UNITED STATES

(in million dollars)

1920-21 (average).....	4,107
1922-23 (average).....	5,113
1924.....	6,352
1925.....	7,126
1926.....	7,430
1927.....	9,934
1928.....	9,992
1929.....	11,604

Below are given foreign issues floated in the United States. It will be noticed that they decreased considerably in 1929 (in millions of dollars):

Year	New Issues	Fundings	Total
1919	342	263	605
1920	383	138	522
1921	527	50	577
1922	634	125	759
1923	280	79	360
1924	996	248	1,244
1925	1,086	221	1,307
1926	1,145	204	1,349
1927	1,561	163	1,724
1928	1,319	257	1,576
1929	757	22	779

For purposes of comparison, we give a table of capital issues in Great Britain:

CAPITAL ISSUES IN GREAT BRITAIN

(in million pounds)

1919.....	237.5
1920.....	384.2
1921.....	215.7
1922.....	235.6
1923.....	203.7
1924.....	223.5
1925.....	219.8
1926.....	253.2
1927.....	314.7
1928.....	362.5
1929.....	253.7

These issues may be divided as follows:

Year	United Kingdom	India and Ceylon	Other British Countries	Foreign Lands	Total
	(in million pounds)				
1927	176	1	86	50	314
1928	219	7	78	57	362
1929	159	10	44	39	253

Canada

In Canada, very rapid economic progress at the beginning of the year was halted by the stock exchange crisis in the United States and by the aggravation of the agricultural crisis. Although less important than in 1928, the stocks of grain remain very large, but the mechanization of agriculture, by decreasing the cost price of crops, increases the purchasing power of the farmer correspondingly.

The extraction of mineral products increased by 15%, that of petroleum doubled; the output of copper and nickel is making progress, that of wood-pulp increased by 15%.

The importance of public works in course of construction justifies the belief that the building and allied industries, and those industries that depend upon it, will easily be able to resist the depression expected in 1930. In 1929, contrary to what happened in the United States, building was extremely active.

According to clearing house figures, production increased 30%. Retail trade was very active, but bankruptcies, although less numerous, were more serious. Dullness in the trade in cereals led to a decrease in the number of railway trucks loaded and vessels chartered. Exports decreased 11% whereas imports increased 5%. The trade balance became unfavorable, but, in compensation, Canada enjoyed considerable tourist trade.

Great Britain

If we turn towards Europe, our attention must first of all be directed to Great Britain. From a monetary point of view, Great Britain has passed through one of the most critical periods of its history, as a result of Germany's need of capital, the dearth of money in New York and the con-

stant repatriation of gold to France. Thus, England saw many changes in her discount rate, that was varied no less than 5 times; however, the stock exchange crisis of New York, at the end of the year, led to a favorable *détente*.

Production statistics show a general improvement of 10%, but if we consider the figures for each industry, we see that the iron and steel industry and the coal industry were alone responsible for this improvement. Other industries, in general, are in a difficult position, principally the textile industry, at present in process of reorganization.

Clearing-house figures show that business remains dull. Sea transport, so important to England from the point of view of her balance of payments, suffered from excess world tonnage and the freight crisis. The chemical and electrical industries, as well as the mechanical and motor industries, were among the most favored.

Unemployment showed no tendency towards regression during 1929; on the contrary, in the first months of 1930 it still further increased. The depression of the price level makes it difficult to compare the movement of foreign trade from one year to the other, but the unfavorable trade balance has hardly improved. The margin of profits of British industries is very small, which makes their reorganization all the more difficult. Besides, bound by tradition, English banks show a certain hesitation towards direct intervention in industry.

France

Economic conditions in France in 1929 were dominated by her monetary policy, a feature of which was the abundance and the cheapness of money, as well as the repatriation of gold. During the first half of the year, available floating capital had been drained abroad: in six months, the foreign currency holdings of the Bank of France dropped 7,000 million francs, but purchases of gold and conversions reduced the net deficit to 2,311 million francs. During the latter half of the year this movement was reversed and foreign currency holdings were repatriated by the banks for the needs of trade, also as a result of the New York crisis. During this period, the franc rose above the gold point of

entry, so that the Bank of France was able to play a passive rôle: gold was repatriated by private banks and bought at a fixed price by the Bank of France. Altogether, during 1929, the gold reserves of the Bank of France increased by 30%, from 32,000 million francs to 41,500 million francs.

Despite the liquid assets created by the banks, an increase in the holdings of commercial paper and in the circulation of banknotes from 64,000 million francs to 67,000 million francs, was noticed. The resumption of discount business was marked by an increase in the number of bills held by the Bank of France: 31,590,000 francs against 27,030,000 francs in 1928, an increase of 16.85%.

The Bank of France and the private banks made a serious effort towards the creation of a short-term money market, this effort being marked by the extension of the time of daily operations, the introduction by the Bank of France of 7 day discount loans and the creation of an acceptance bank by the great financial institutions in Paris. It must also be recorded that during the whole year the official discount rate remained fixed at $3\frac{1}{2}\%$; it was lowered to 3% in January last.

On the stock exchange, the depression of ordinary shares and the return to par of the 4% rentes must be noted. Also during the first weeks of 1930 there was a very marked increase in bond issues, the interest on which tends to decrease considerably.

France's balance of payments is clearly favorable, as is shown by her gold imports; on the other hand, her commercial deficit has increased: it now amounts to 8,212 million francs as against 2,100 million francs in 1928. Exports decreased by 1,237,000 tons and imports increased by 10,107,000 tons as compared with 1928. Agriculture was obliged to dispose of large wheat and wine crops at falling prices. The fall in wholesale and retail prices began after a maximum reached in May. But, taken as a whole, the cost of living has increased. On the other hand, export prices have decreased.

Industry enjoyed a period of great activity: taken as a whole, the increase of production was 10%. The production

indexes for the different industries for the last two years are as follows:

	1929	1928
Mechanical industry	159	138
Mining "	124	117
Building "	125	97
Rubber "	900	587
Textile "	90	99 (world crisis)
Leather "	105	130
Motor "	600	610

The output of coal, which was 52 million tons in 1928, rose to 55 million, but consumption increased from 70 million tons to 83 million tons. The increase in the output of potash is also noticeable.

There was no unemployment in French industry, but, on the contrary, a dearth of labor. The number of strikes decreased. The average increase of wages was 10%, against 5% in 1928. Labor immigration continued, in keeping with the needs of industry.

Belgium

Belgium had a very active year, industrially and financially; production levels were high, but the end of the year was less favorable and the year 1930 began with indications of depression. The reorganization of industry was continued and mergers of all kinds of enterprises were very numerous, but as a result of more difficult general conditions, ententes between producers, that had previously been somewhat neglected, resumed their importance.

As in many countries, wholesale prices fell heavily. But the last effects of the inflation that preceded monetary reform in 1926 continued to make themselves felt on retail prices that continued to rise, as did salaries both in public services and private employment.

The unfavorable trade balance increased by 50% as compared with 1928, but it remains far below what it was in pre-war years. The deficit is principally caused by the increase of imports of raw materials, a sign of greater industrial activity. If the unfavorable trade balance grew, on the other hand, the balance of payments remained very favorable, as

was shown by the gold imports and the inflow of foreign currency holdings. The abundance of liquid capital, especially after the New York Stock Exchange crisis, made it possible to reduce the discount rate by successive stages from 5% to 3½%. The Treasury was exceedingly prosperous, which made it possible to reduce taxation and to redeem a 1920 foreign loan of which 30 million dollars remained in circulation. Likewise, the very satisfactory state of public finances made it possible to undertake important public works that will react favorably against the world-wide depression and the slowing down of private building activity.

Capital issues remained at an extraordinarily high level, exceeding even the possibilities of investors and making it necessary to have recourse to credit. The result was a very difficult position on the stock exchange, further aggravated by the crisis in New York, which suddenly accentuated the fall in prices that had made itself felt in the beginning of the second half of 1928. In one year, the fall in the value of securities amounted to 30%, or 34,000 million francs. The monthly average of mortgage loans rose from 308 million francs to 426 million francs.

Belgian agriculture suffered severely from an extraordinarily dry year following upon a very hard winter, from the sugar crisis, the dullness of the wheat market, the heavy sales of French flour, and a partial failure of the market-garden crop. So the demand for credit is constantly on the increase. However, one may point to the considerable development of aviculture; 616 million eggs were exported as against 525 millions in 1928.

Industry, always active as a whole, suffers from a shortage of labor and especially of skilled labor. Stimulated by the activity of other branches, the coal industry emerged from its severe crisis, and in a single year stocks fell from 1,057,000 to 321,000 tons; at the same time imports of coal increased. At the present time, stocks are built up again and amount to 500,000 tons.

For 9 months the iron and steel industry enjoyed a period of great activity, but during the last quarter it put into force the reduction of output decided upon by the international cartel and certain blast-furnaces were extinguished.

The glass industry is in process of concentration and is adopting exclusively mechanical methods. Stocks are fairly high in this industry.

Textile industries, especially cotton and flax, leather and hides, are depressed in Belgium as they are everywhere else.

The industrial output of the Grand Duchy of Luxemburg, united to Belgium by an economic entente, followed an ascending curve that was succeeded by a depression. In October, the output of pig iron and steel attained its maximum and then began to fall, as a result of the lowering of prices and of the reduction of output imposed on all members of the steel cartel. The demand for labor continues far in excess of the supply and has to be imported from abroad.

Germany

The feature of the economic evolution in Germany in 1929 was the persistence of the relapse that had begun to make itself felt in the middle of 1928. Although it was possible to maintain production at a relatively high level, especially in basic industries, business experienced serious difficulties, the genesis of which was essentially the dearth of capital from which Germany is suffering. Germany did not find it possible last year, any more than in previous years following the stabilization of the currency, to accumulate by her own efforts the capital necessary to develop her factories and to avail herself to the utmost of their productive capacity, and to offer employment to those in search of it. There was an increase in unemployment, due chiefly to the dearth of capital. This also increased the number of bankruptcies and receiverships. The dearth of capital was further accentuated by the drying up of the flow of foreign loans which, ever since the stabilization of the currency, have made it possible to meet the most urgent needs of Germany's balance of payments.

Agricultural production was fairly satisfactory—less so, however, than in 1928; but agricultural classes suffered specially from the scarcity and high cost of credit. Mining output was good, but the same cannot be said of metallurgy, which only managed to maintain itself by increased exports. Potash mines suffered from the decrease of revenue of the agricultural classes. Taken as a whole, industrial pro-

duction in Germany maintained itself, thanks to exports, slightly above the level of the corresponding period in 1928, if one may judge from the index established by the Institut für Konjunkturforschung.

German exports showed a further progress during the past year, whereas imports did not attain the level of the previous year. The growth of foreign trade was influenced by the following circumstances. The improvement of agricultural production led to an increase of exports and a decrease of imports. As regards industrial products, the reduction of the internal purchasing power led to a drop of imports and, as Germany was obliged to utilize her whole capacity for production, there was greater German activity in foreign markets. Thus the fact that financial conditions were favorable in important countries taking goods from Germany was a valuable factor in the increase of exports. The unfavorable balance of payments could, however, in the past year, be adjusted only by the help of foreign credits and, for the most part, of short-term credits.

Concentration continued in 1929 but less rapidly than during the preceding years; great banking mergers were particularly noteworthy, as well as ententes between German and foreign enterprises.

Lower industrial activity showed itself in particular by greater unemployment than in 1928; in the course of January, 1929, there were 2,400,000 unemployed; in July, there were still 804,000; in December, a little less than 2 millions. Despite this, however, wages continued to increase.

Austria

Austria also suffered in 1929 from the industrial depression that extended over all Central Europe. Although there was no violent crisis, after a fairly satisfactory activity during the first 8 months of the year there was considerable increase in unemployment.

The general depression led both to a falling off of Austrian exports and to greater competition, not only on the Austrian market but also in neighboring countries, the normal outlets for Austria's excess production. This was more especially the case as regards the largest importer of Austrian products,

Germany, where the trend of business normally has an immediate effect on conditions in Austria. Nevertheless, the total foreign trade figures for 1929 show very little change, because of increased exports to countries of western Europe and overseas.

On the other hand, agriculture made great progress, and Austria was able to reduce considerably her imports of food stuffs. This improvement is, however, threatened by the general agricultural depression.

Austria continues to suffer from the closing of most of her former markets by tariff barriers, and is keenly interested in the efforts being made towards a lowering of tariffs by collective action.

The Netherlands

The Netherlands is becoming rapidly industrialized: the metallurgical, coal, chemical and glass industries are assuming great importance. The coal output was as follows:

	Output	Number of Workers
1928	10,920,000 tons	34,464
1929	11,575,000 tons	37,440

During the year 1929, industry made general progress, especially in ship-building; the organization of the margarine trust throughout Europe was perfected and has become a real power. Likewise, the Philips lamps interests were expanded, and the Dutch artificial silk industry reached an agreement with the German plants. There was little unemployment, and that on a decreasing scale, except towards the end of the year in the diamond cutting industry.

Textile and leather industries suffered from the consequences of world depression, and the sugar crisis forced several refineries to close.

However, the position is not so brilliant as appears at first sight: in addition to the general fall in the price level, economic conditions in Holland suffer from a decrease in the output of Dutch enterprises in the East Indies and the fall of the purchasing power of the latter. The excess of imports over exports increased by 563,000 tons, valued at 65,000,000 florins; the fall of prices affected exports. There was also

a reduction in the market for fresh pork, the exports of which fell from 62 million florins in 1924 to 14 million florins in 1929, as a result, in particular, of the almost complete closing of French markets. This particularly affected agriculture, which also felt the overproduction of hot-house cultivation and the low prices of farm products. The following table illustrates this point:

	Exports of Fresh Vegetables		Exports of Fresh Fruits	
1928	504,508 tons	68,837,000 florins	43,024 tons	10,975,000 florins
1929	527,671 tons	62,321,000 florins	68,135 tons	11,363,000 florins

Deposits in agricultural banks decreased as a result of low returns from market gardening.

The stock exchange was affected by the world wide depression of shares. As regards issues, foreign loans represent only a small fraction of the total, as indicated by the following figures, showing the percentage of foreign loans in the total of capital issues:

1927	69.9
1928	46.2
1929	29.1

Italy

During the first half of 1929, economic conditions in Italy passed through a period of slow recovery, but during the second half, the international tendency hampered the upward movement and neutralized the advantages already obtained.

An abundant wheat harvest made it possible to decrease wheat imports by one million lire, which together with the increase of exports, reduced the unfavorable trade balance by 950 million lire by comparison with 1928.

From the industrial point of view, 1929 was marked in Italy by further concentration, less unemployment, increased consumption of raw materials, coal and electrical power, as well as by lower profits.

The decrease in the number of wholly unemployed was 8%, although the total still exceeds 300,000.

Agriculture enjoyed a marked improvement of acreage yield, especially as regards maize. Potato growing made further progress. The output of iron and steel reached a

considerably higher level than in 1928—a level which had never previously been reached.

The output of textiles remained high, equipment was increased and exports further developed, but at prices that were not very remunerative. The silk industry felt the influence of the New York crisis which led to a fall of prices during the autumn.

The automobile industry felt American competition; prices are declining and profits are small.

Ship-building passed through a difficult period; however, 97 vessels were launched against 68 in 1928, and 99 new keels were laid.

The output of electrical power increased by 7.7%, that of chemical fertilizers by 10%. Building activity also increased.

As a result of the revalorization of the lira and of the world tendency, the price level is falling.

Emigration remained about the same as in 1928, but a change of direction was noticeable. Emigration towards Europe increased, while emigration towards overseas countries was less marked.

Italy continues to suffer from her small accumulation of savings, although there was an improvement in 1929. Short-term money became dearer, and amounts available for long-term investment remained inadequate. Net issues in 1929 amounted to 4,645 million lire, against 2,698 million in 1928. The fall of the stock exchange was not very marked, but fixed revenue securities also fell.

Spain

The features of the year in Spain were the fall of the peseta, and the consequences of a policy of State intervention. After a very bad harvest in 1928, Spanish agriculture had a normal year in 1929, despite the fall in exports of olive oil. Experiments with the raising of cotton and tobacco were successful.

The trade balance, which remained unfavorable, suffered from the fall in prices of mineral products: copper, lead, iron. The textile industry was affected by the world crisis and by

the competition of artificial silk. The paper industry and the output of coal increased.

Although during the first half of 1928 there was a fall in prices, the depreciation of the peseta led to a price increase during the last six months of the year.

The financial crisis from which the railways are suffering still persists, but highway transport has made fresh progress.

The stock exchange crisis was aggravated by the fall of fixed revenue securities, Government and municipal bonds, etc., and of railway and electrical shares.

Scandinavian Countries

Each of the three Scandinavian countries presents different economic features, but we group them together according to the usual custom.

Despite the fall in wholesale and retail prices, Denmark had a favorable year, marked by decreased unemployment, increased railway revenues and to some extent by stock exchange stability.

The situation of Sweden may be considered as really satisfactory. This country is becoming more and more industrialized, and at the same time its economic conditions are more and more assuming an international character.

During the year under review, capital was abundant and interest rates remained fairly low, which encouraged exports of capital. The stock exchange was affected by the world crisis, principally as regards Swedish securities quoted abroad. At the end of the year, the discount rate was raised.

Agriculture profited by an increase in butter and egg exports, but the cereal crops were sold at low prices, and the acreage under beet sugar was decreased.

Forestry was hampered by the lack of snow, necessary to moving lumber on sleds. Sales of lumber increased, but prices fell from 3% to 6%. Likewise wood pulp exports made further progress.

The iron industry showed constant improvement up to September but slackened after that date. Exports of ore were very strong. The year was uneventful as regards relations between capital and labor. Shipping interests welcomed with enthusiasm the suppression of the tonnage tax

that had been in force for three centuries. In order to meet the great needs of shipping for capital, a maritime mortgage bank was created. Shipping was very active, but suffered from dullness of the freight market.

Norway completed its first year of monetary stability, following the return to the gold standard at the old rate of exchange. Financial restoration and monetary deflation made further progress, marked by a decrease in the number of failures, although losses were still very high. In this country also, agriculture was affected by the fall in prices and the situation is rather unsatisfactory, although less so than in countries where the cultivation of wheat is highly developed. Agriculture suffers from a lack of sales organization to dispose of its products. The raising of silver foxes has assumed great importance in Norway, and 40,000,000 kroner are already invested in this industry. After a depression that lasted for several years, the prices of lumber have improved, but the market for wood pulp is dull. Important catches of fish were disposed of at low prices. The fish cannery cartel continued to function. Whaling has greatly developed and produced 1,206,000 barrels of oil as against 801,500 in 1928. Ore exports also made further progress in 1929.

Estonia

Thanks to plentiful crops, Estonia in 1929 overcame the effects of a bad harvest in 1928, and butter exports made fresh progress. Conditions for moving of lumber were unfavorable because of the lack of snow, and this, with the consequences of the bad harvest of 1928, led to a drop in foreign trade despite the fact that the industrial output was greater in 1929 than in 1928.

The fall in the price level was also felt.

During 1929 Estonia continued the expansion of its railway and highway systems, and the Government took over the upkeep of roads from the local authorities.

Finland

Like Estonia, Finland underwent a crisis at the end of 1928. This crisis became worse in 1929 and was marked by a

great dearth of money, the fall of wholesale prices and unsatisfactory results of foreign trade. The harvest having been inadequate, the purchasing power of the public was diminished.

The agreement between Sweden, Norway and Finland for exports of wood pulp was maintained.

Switzerland

Switzerland had a very stable year, with a tendency towards depression during the latter half.

There was a slight improvement in the agricultural crisis that has now lasted for three years; good weather and the dissemination of credit exerted a favorable influence. The wheat crop represents only 4% of the total agricultural production, 37% of which is supplied by milk, 20% by the fattening of live-stock and 13% by the raising of hogs. In 1929, the Government gave up its wheat monopoly, conditions generally having become satisfactory.

The output of electrical power did not make any marked progress, the plants now in course of construction not having yet begun to distribute electricity, but consumption increased by 10%.

The Swiss textile industry suffered severe depression, as elsewhere, and the margin of profits was very small. Conditions in the cotton industry became very bad during the latter half of the year. Silk underwent a crisis similar to that of 1921 but even more serious. The real silk industry was hard hit and the artificial silk industry earned but small profits.

Large orders for machinery were received, but foreign competition kept prices down; at the same time, Switzerland—a large consumer of raw materials—complains that the international iron, steel and copper cartels keep prices up. On the other hand, in the dye industry, a fall in prices was prevented by an agreement between German, French and Swiss producers.

The tourist season was good in winter, summer and autumn, but the average stay of visitors was shorter.

Foreign trade was affected by the fall in export prices and

by the increased volume of imports of manufactured goods. Exports of milk and chocolate declined.

During the past year, Switzerland officially adopted gold mono-metallism and, after perfect currency stability for several years, authorized its bank of issue to return to the gold standard whenever it thought advisable to do so.

Stock issues were numerous despite the fall in the value of stock exchange securities that began at the beginning of the year and which was aggravated by the effects of the New York crisis. Foreign loans issued in Switzerland were slightly more important than in 1928; private money was also dearer, despite the fact that the discount rate remained unchanged.

Poland

Poland suffered in 1929 from constant depression, marked by a fall in the prices of agricultural products, especially of wheat and potatoes, of which there was overproduction. As 65% of the population is dependent upon agriculture for a living, it is easy to realize how serious this situation is to the Polish people. In order to support agriculture, the Government introduced export bonuses for cereals, which were sold at the lowest prices recorded in the world.

However, prices of livestock and of dairy products did not undergo any modification during the year. These products represent an important branch of Polish exports, and it was due very largely to their stability that the agricultural crisis was not more serious. The output of sugar beets was high.

The coal mining industry was very active; for the first time, the quantities mined were 12.6% above pre-war levels; exports were 7.7%, and consumption 14.7%, above the 1928 figures. As regards coal exports, those to Central European markets, and specially Italy, decreased; on the other hand, those to the Scandinavian and Baltic countries increased. Negotiations were opened with representatives of the British coal industry with a view to arriving at an agreement as regards the Scandinavian markets.

The crisis in the textile industry, which employs about 30% of all the laborers working in the Polish factories, was marked by a decrease of production, due to a reduction of the purchasing power of the home market. Such was also the

case in the iron foundries, whose output decreased considerably. On the other hand, the output of zinc increased by 5%, and zinc exports by 20%. The artificial silk, sulphuric acid, and coke industries also increased their output.

The construction of the port of Gdynia, begun several years ago, made notable progress, as shown by the following figures: in 1924, the port did not exist; in 1926, 601 vessels entered or left, carrying 413,000 tons, and in 1929, 3,092 vessels entered or left, carrying 2,902,000 tons.

As in previous years, Poland had considerable need of foreign capital.

Despite the agricultural crisis, the unfavorable trade balance was only one-third of the figure for 1928.

Czechoslovakia

Towards the end of 1928, Czechoslovakia experienced the beginning of a depression in the textile, sugar and malt industries. The dullness of business spread in 1929 and became more accentuated towards the end of the year, and even now one cannot consider that the bottom has been reached. There was a considerable drop in exports and a large increase in imports, but imports of raw materials slowed down towards the end of the year. Czechoslovakia suffers from agrarian protection by other countries and tariff difficulties with Germany and Yugoslavia. Wheat cultivation resulted in losses because of the decreased yield and falling prices.

Brown coal, coal and coke industries showed an increase of production, but iron and steel remained stationary.

Unemployment increased in the textile, sugar, brewing and building industries. Wholesale prices of industrial and agricultural products fell, as did retail prices.

Czechoslovakia passed through the last stage of the legal stabilization of its currency, by restoring the free convertibility of paper money. The bank of issue increased its gold reserves, loans abroad decreased and public finances were healthy. The fall in stock exchange securities was marked.

Railways suffered from lack of capital to renew their rolling stock. On the other hand, the progress of highway transport is shown by the increase in the number of cars, from 60,000 to 78,000.

Hungary, Rumania and Jugoslavia all complain, as will be seen below, of the scarcity and high cost of credit. Generally speaking, the first need of Eastern Europe is credit with which to obtain equipment and develop its national wealth. The poverty of Eastern Europe necessarily restricts the markets available to industrial Europe.

Hungary

Hungary, an essentially agricultural country, is passing through a period of general depression owing to the fall in the prices of wheat and a smaller harvest of this cereal, not compensated by an increase in the production of maize and of potatoes. Hungarian agriculture suffers from a lack of long-term credits and is selling its products below their pre-war prices.

The industrial situation can hardly be described as favorable: while the output of coal increased by 22% as compared to 1928, that of industry as a whole decreased by 10%. Account must also be taken of the fall in the wholesale price level which was felt in Hungary as everywhere else. Wages continued to rise.

However, while from 1924 to 1928, the unfavorable trade balance continued to increase, the trend was reversed in 1929: exports increased by 28%, and imports decreased.

The situation on the international money markets led to an increased reduction of imports of foreign capital. So Hungary has passed through a period of dear money, marked by an increase in the discount rate. The bank of issue saw its gold reserve fall from 260.3 million pengos to 209.8 millions.

Taken as a whole, the decline in the value of stock exchange securities was from 20% to 30%.

Rumania

Rumania continues to feel the consequences of the war and of the agricultural reform. The peasants, who have now become landowners, lack capital and, in order to obtain it, have to pay from 30% to 35% interest. The returns of Rumanian agriculture are extremely low and do not exceed

800 Swiss francs per year and per holding. In addition, prices have fallen below world prices. Agriculture suffers from a lack of silos, elevators and means of transport.

The cereal harvests attained very high figures as shown in the following table:

1924.....	72,964,000 quintals
1926.....	122,306,000 “
1927.....	85,323,000 “
1928.....	85,841,000 “
1929.....	133,128,000 “

Forestry and lumber industries were normal. The amount of oil was double the pre-war output. The trade balance improved after the harvest. Exports of oil and its by-products increased greatly, but the prices of these products and of oil in general, fell sharply.

Despite the rather difficult position of the country, highway transport is developing very rapidly, the number of cars being eighteen times greater in 1929 than in 1923, as shown by the following figures:

1923.....	1,889
1929.....	33,954

From the monetary point of view, Rumania has entered upon a policy of legal stabilization; it has reorganized its bank of issue, concluded an important loan abroad and, by heavy taxation, insured a balanced budget. The gold stock increased by 950 million lei.

Despite stabilization, foreign capital shows little inclination to invest in Rumania, except investments made by Belgian capitalists. This lack of capital is the cause of the dearness of money; the official discount rate had to be raised from 6% to 9½%; private credit is negotiated at from 16% to 30%; we have seen above how great a burden this is for agricultural credit. Stock exchange transactions were very slack.

It is therefore easy to understand the efforts made by Rumania to attract foreign capital. During the current year, the Government abolished all barriers to the movement of capital; it handed back a number of public services to private enterprises. The Commercial Code was reformed, as was

the mining law. The new law on oil-wells authorizes the concession of national lands to foreign companies, increasing the extent and duration of such concessions.

Finally, the Government suppressed the inalienability of small agricultural holdings.

Jugoslavia

Jugoslavia was favored by a good wheat harvest and exports of bauxite doubled. The national textile industry met the needs of the country to an increasing extent.

The trade balance was favorable to the extent of 327 million dinars. As in most countries of Eastern and Central Europe, interest rates were high.

Greece

In Greece, financial stringency following on post-war inflation, and the economic burden of the refugee population—the chief problems with which Greece is faced—are gradually being solved. The principal difficulty at present is the newly created industrial enterprises which are at a definite economic disadvantage in Greece, a question that the National Bank of Greece is endeavoring to settle. A vigorous program of Government aid to industry is stimulating the liquidation of business conditions. Overproduction of the principal exports, currants and tobacco, has forced prices down.

Danzig

The trade of Danzig suffered a severe setback in 1929. The prolonged spell of frost which stopped navigation at the beginning of the year, the fall in prices of the stock exchange and produce market, and the policy of economic protection of certain neighboring countries led to a decrease of harbor activity and an increase of unemployment, with more numerous bankruptcies and receiverships.

Australia

In Australia, business activity was maintained in 1929 at about the level of the preceding year, although the present

business outlook is not bright. An upward tariff revision is expected to check imports which are also affected by the lower purchasing power and the stringent financial conditions. Refinancing by the Government, and the long coal strike deadlock of New South Wales during the past year, also adversely affect the immediate outlook. Low prices for wool, wheat and other exports brought down the purchasing power, but it is hoped that plans to organize marketing, now being considered, will greatly improve prospects in the near future.

India

Economic progress in India during the year was impeded by political and labor difficulties. Foreign trade, both in exports and imports, declined below the levels of the previous year. Serious strikes in cotton, jute, tinplate, lock and railway groups combined with increased foreign competition to hinder the development of native industries, which have become an outstanding business and political consideration in India. The only countries that increased their trade with India during the year were Japan, Kenya Colony, Australia, and Canada, due respectively to increased shipments of piece goods, cotton, wheat and automobiles.

Japan

The chief event in Japan during the year 1929 was the announced removal of the embargo on gold exports in effect since 1917. Notable progress in the strengthening of the financial position of Japan made this decision possible. More than a hundred bank mergers and dissolutions eliminated much financial weakness, while the prevailing depression of the year was relieved to a certain extent by the smaller unfavorable balance of trade, this result being due to increases in the exports of raw silk, cotton and silk textiles, hats, and marine products. Industrial production was larger than in the previous year, ingot production increasing by about one-fourth. Stabilization of the cotton textile, raw silk, rayon markets by restrictions in several forms has given favorable results. Throughout the East of India, Japan and elsewhere, the creation of new air transport lines promises to stimulate business activity.

Below will be found certain information concerning the Argentine and Peru, the only two countries of South America whose reports reached us in time to be used.

The Argentine

In the Argentine, the salient fact of the year was the closing of the Conversion Board in December, 1929, after the rediscunts of 200 million pesos by the Board and the export of gold. By reason of the economic structure of the country, circulation is subjected to wide fluctuations in the Argentine. This is what is happening at present as a result of unfavorable agricultural conditions. Considerable stocks of imported goods are accumulating in the ports, and the prospects for sales for 1930 are not very favorable.

Peru

During the year 1929, the Peruvian Government issued a decree forbidding banks to invest funds for their own account in foreign securities. This decree prohibits the issue of national securities in foreign currencies. Another decree obliges private individuals to make all contracts in the national currency. These measures were designed to prevent the export of capital and to restore confidence in the monetary unit of Peru. They have been strongly criticized by the Chamber of Commerce, as they are considered to be of a nature to hamper the import of foreign capital, the need of which is greatly felt.

In the course of the year, Peruvian exchange fell from \$4.00 to \$3.95.

THE BANK FOR INTERNATIONAL SETTLEMENTS

An event of the utmost importance last year was the creation of the Bank for International Settlements. Constituted in the form of a stock company, with head offices at Basle, its capital is 500,000,000 Swiss francs, divided into 200,000 shares.

The establishment of this bank is one of the principal provisions of the Young Plan for the full and final settlement of the Reparations problem. Its essential function will be that

of a "trustee or agent for the Governments concerned, to receive, administer and distribute the annuities paid by Germany under the Plan; supervise and assist in the commercialization and mobilization of certain portions of the aforesaid annuities; and perform such services in connection with the payment of German Reparations and the international settlements connected therewith as may be agreed upon by the Bank with the Governments concerned."

But the functions of the Bank will not be confined to Reparations and Inter-Allied Debts only; it is expected that it will facilitate cooperation between banks of issue and provide new facilities for international financial operations.

The operations to be undertaken by the Bank must be consistent with the policies of the central banks of the countries concerned. The Bank may, in particular, buy and sell gold or receive gold on deposit; discount, rediscount, buy or sell bills of exchange, checks and other short-term obligations, buy and sell currencies, negotiable securities other than shares, either for its own account or for that of central banks; receive deposits from the central banks, etc.

All the operations that the Bank is authorized to effect with the central banks may also be undertaken with the private banks, bankers, corporations or individuals of any country, provided the central bank of that country does not enter objection.

An organization, such as the International Chamber of Commerce, the aim of which is to facilitate and improve economic relations between the nations, can but welcome with great hope the creation of an organization, such as the Bank for International Settlements: I see in it a means of international cooperation that can render the greatest services. It is hardly necessary to recall the policy and views always upheld by the International Chamber which, from the time of its Rome Congress in 1923, in its Resolution on World Economic Restoration, expressed the opinion that the solution of the problems of Inter-Allied Debts and of Reparations—indispensable to economic peace—ought to be arrived at as rapidly as possible. These problems, the Chamber felt, could be solved only if they were considered, not from the

political point of view, but solely from the economic point of view.

The recommendation put forward by the Chamber at that time has now been given definite form in a complete organization—the Bank for International Settlements, one of the fundamental functions of which is to provide the mechanism for shifting the Reparations debt from the political to the financial sphere, so as to assimilate as closely as possible this obligation to an ordinary commercial liability.

I trust that the creation of the Bank for International Settlements will greatly contribute to maintaining the stability of the world's credit structure, and so favor international economic development.

Paris
April 4, 1930

ECONOMIC CONDITIONS IN THE UNITED STATES AT THE BEGINNING OF 1930

By Mr. Magnus W. Alexander, President, National Industrial Conference Board, Inc., New York City

THE year 1929 will go down in economic history as the year of the Great Stock Market Crash in New York. As one looks at the decline in security prices after a time interval of four months, he is impressed with the tremendous changes which that event has brought about in the money markets of the world. Disregarding for the moment the effect of the crash on the business situation in the United States, it may safely be said that the general decline in interest rates throughout the world and the release of funds, which were attracted to the New York Stock Exchange from all parts of the world by the promise of spectacular profits, have made possible a sounder development of international economic relations. It is the international significance of the fall in stock prices that will give it a place in economic history as an event of world importance.

The effect of the stock market's precipitate fall from the dizzy heights reached in the month of September, 1929, on the business of the United States remains still a matter for considerable speculation. While there is general agreement that the recession in business activity was not so much the result, but rather one of the causes, of the decline in security prices, it is not yet clear to what extent business has been further depressed by the losses incurred in the stock market and by the loss of confidence in the general business situation caused by the explosion of the Wall Street bubble. In nearly all industries, production turned sharply downwards during the last two months of 1929. The curtailment of activity was greatest in the automobile and iron and steel industries, but manifested itself strongly also in the textile, shoe, lumber and non-ferrous metals industries. Building contract awards reached the lowest points for the year in November and December. This general decline, however, did not represent

a reversal, but an accentuation, of the already existing downward trend in business activity, as may be seen from the table on p. 49. The peak of automobile production was reached in April, 1929, each succeeding month of the year showing a steady drop in output. Production of pig iron and steel ingots began to decline in June, and it soon should have been evident that more than seasonal factors were tending to depress the activity of the industry. The index of total manufacturing reached the high point in June, 1929, and declined without interruption during the second half of the year.

INDICES OF BUSINESS ACTIVITY, UNITED STATES, 1923 TO 1930

(Source: U. S. Department of Commerce)
(Base, Monthly Average, 1923-1925 = 100)

Item	1923	1924	1925	1926	1927	1928	1929
<i>Industrial production</i>							
Total manufacturing.....	101.0	94.0	105.0	108.0	106.0	111.0	119.0
Total minerals.....	105.0	96.0	99.0	107.0	107.0	106.0	115.0
Pig iron.....	111.7	86.7	101.5	109.0	101.0	105.5	117.9
Steel ingots.....	104.8	88.7	106.4	113.1	104.6	120.2	130.6
Automobiles.....	101.7	90.8	107.5	108.4	85.7	109.9	135.1
Cement.....	92.1	99.8	108.1	110.0	115.3	118.0	114.1
Cotton (consumption).....	105.9	89.7	104.4	108.5	120.2	106.7	114.6
Wool (consumption).....	112.8	94.6	92.6	89.7	97.0	94.7	103.1
<i>Production of raw materials</i>							
Animal products.....	100.0	104.0	96.0	96.0	97.0	99.0	99.2
Crops.....	91.9	104.0	104.0	109.0	113.3	117.0	114.2
Crude petroleum.....	99.4	96.9	103.7	104.6	122.3	122.4	136.5
Bituminous coal.....	108.0	92.5	99.5	109.7	99.0	95.8	100.5
Copper.....	93.4	100.2	106.4	110.2	104.9	114.9	127.1
<i>Power and construction</i>							
Electric power.....	92.5	98.1	109.5	122.6	133.3	146.0	161.7
Building contracts ¹	89.7	92.7	117.6	111.0	106.8	121.4	99.6
<i>Prices</i>							
Farm products, to producers...	97.8	97.1	106.5	98.6	94.9	100.7	100.0
Wholesale, all commodities...	99.9	97.4	102.8	99.3	94.7	97.0	95.8
Retail food.....	97.6	97.6	104.9	107.6	103.6	102.9	104.6
Railroad stocks.....	86.0	96.1	117.9	133.4	162.7	174.5	194.3
Industrial stocks.....	86.1	91.9	122.0	132.4	171.4	214.8	292.6

¹ Thirty-seven states.

The level of business activity during the first few months of 1929, however, was so high that the year as a whole has established new high records in many branches of industry and trade. The quantitative index of manufacturing produc-

INDICES OF BUSINESS ACTIVITY, UNITED STATES, 1929 (Source: U. S. Department of Commerce) (Base, Monthly Average, 1923-1925 = 100)

Item	Jan- uary	Feb- ruary	March	April	May	June	July	August	Sep- tember	October	Novem- ber	Decem- ber, 1928	Decem- ber, 1927
<i>Industrial production</i>													
Total manufacturing.....	117.0	117.0	120.0	123.0	124.0	128.0	125.0	124.0	122.0	117.0	105.0	96.0	99.0
Total minerals.....	117.0	120.0	107.0	115.0	116.0	112.0	114.0	115.0	118.0	118.0	110.0	116.0	103.0
Pig iron.....	115.2	107.3	124.3	122.6	130.5	124.4	126.7	125.7	117.1	120.1	106.5	94.9	112.8
Steel ingots.....	129.9	125.1	146.3	142.8	152.5	141.2	139.9	142.5	130.5	130.5	101.6	83.8	91.9
Automobiles.....	121.3	141.1	177.0	188.1	182.9	165.1	151.5	150.7	125.7	114.9	65.8	36.3	40.4
Cement.....	79.5	68.6	80.2	110.6	129.9	135.2	139.3	149.5	138.6	134.6	113.1	90.2	96.5
Cotton (consumption).....	130.2	115.9	123.1	123.1	130.3	111.1	106.6	108.7	106.3	124.9	106.0	88.4	105.0
Wool (consumption).....	114.0	101.3	102.7	103.8	102.9	93.0	99.8	111.1	105.0	125.3	98.5	79.8	88.0
<i>Power and construction</i>													
Electric power.....	164.3	148.1	159.3	157.1	161.2	154.9	159.8	166.6	160.7	173.6	164.4	169.7	143.8
Building contracts ¹	88.6	81.9	117.1	128.0	122.4	109.7	113.7	100.5	90.2	98.9	76.9	66.3	95.2
<i>Prices</i>													
Farm products, to producers.....	96.4	98.6	101.4	100.0	98.6	97.8	101.4	103.6	102.2	101.4	98.6	97.8	99.3
Wholesale, all commodities.....	96.5	96.0	96.8	96.1	95.1	95.7	97.3	97.0	96.8	95.6	93.7	93.5	96.1
Retail food.....	103.3	103.2	102.2	101.3	102.4	103.4	105.9	107.0	107.4	107.2	106.7	105.6	104.2
<i>Security prices</i>													
Railroad stocks.....	189.3	188.3	184.9	183.7	184.4	192.1	213.4	216.3	217.7	203.5	176.2	181.4	171.1
Industrial stocks.....	275.0	280.3	283.7	285.8	290.3	297.8	330.8	344.5	358.5	316.3	219.4	229.3	193.7
Corporation bonds.....	110.8	109.6	108.0	107.6	106.7	105.4	104.9	104.1	103.9	105.2	105.0	107.1	115.6

¹ Thirty-seven states.

tion was higher than in 1928, the previous high record, as seen in the table on page 48. The output of the automobile industry was larger than in any other year. The production of steel exceeded 50,000,000 tons for the first time in the history of the country. The output of copper also reached a new high record. The same is true of the total consumption of electrical energy. New sales of life insurance in 1929, a good measure of consumer purchasing power, were greater than ever before. Christmas savings reached a new high point. The volume of dividend and interest payments established a high mark. In the textile industries, silk consumption broke all records; consumption of wool was larger than in any other year since 1923; cotton consumption was lower than in the record year of 1927, but was higher than in any other recent year. The volume of distribution of goods, at retail and wholesale, was higher than in 1928. The only industry that failed to show an improvement or even to maintain the level of 1928 was the building industry. The decline in building construction was due almost entirely to less residential construction. New contracts awarded for commercial and industrial construction were larger in 1929 than in the preceding year, while the total for industrial buildings mounted to new heights. Lower production of lumber, brick and cement is a reflection of the decline in total building contracts.

EMPLOYMENT AND WAGES

No other aspect of the present business situation has aroused so much discussion and produced so many contradictory theories as the question of unemployment. The reason for this is, of course, the regrettable lack of any accurate information on the subject. Statistics of factory employment, collected by the United States Department of Labor and by the National Industrial Conference Board, indicate that the situation in 1929 was better than a year ago. The Department of Labor figures of weekly earnings of factory labor and factory payrolls for 1929 are higher than those for the preceding year. Similarly, the Conference Board figures of average "money" and "real" earnings of workers in twenty-five manufacturing industries indicate that the pur-

chasing power of industrial labor was greater last year than in 1928.

MONEY AND "REAL" EARNINGS, EMPLOYMENT AND HOURS OF WORK AND COST OF LIVING

(Source: National Industrial Conference Board)

Year and Month	Average Earnings		Index Number of Earnings (Base July, 1914=100)		Index Number of Employment (Base June, 1920=100)	Average Hours of work per Wage Earner	Cost of Living (Base July, 1914=100)	"Real" Earnings (Base July, 1914=100)	
	Average Hourly	Average Weekly	Average Hourly	Average Weekly				Hourly	Weekly
1929, January..	\$.575	\$28.08	235	224	86.1	48.7	160.9	146	139
February....	.579	28.53	236	228	88.8	49.2	161.0	147	142
March.....	.579	28.53	236	228	90.5	49.2	159.8	148	143
April.....	.578	28.53	236	228	91.3	49.3	159.3	148	143
May.....	.582	28.54	238	228	92.1	49.0	159.4	149	143
June.....	.582	28.28	238	226	91.8	48.5	160.0	149	141
July.....	.576	28.09	235	224	90.3	48.8	161.6	145	139
August.....	.578	27.94	236	223	89.4	48.4	162.9	145	137
September...	.582	28.58	238	228	90.3	49.0	163.2	146	140
October.....	.582	28.80	238	230	90.0	49.4	163.4	146	141
November...	.581	27.22	237	217	86.3	46.9	163.0	145	133
December...	.582	27.53	238	220	83.5	47.4	162.0	147	136
1930, January..	.592	27.51	237	215	83.4	46.4	160.4	148	134
February....	.597	27.90	239	218	83.8	46.7	158.8	151	137

These figures, however, relate only to manufacturing industries and leave entirely out of consideration the important working population engaged in the various branches of distribution, hotel and restaurant service, amusement places, barber shops, garages, filling stations and innumerable other occupations. For such occupations, scattered material in different states and cities is inadequate for a general judgment regarding employment or unemployment. Interested persons are looking forward to the publication of the results of the United States Census of 1930 which is now under way and which will help to explain the changes which have taken place in the occupational distribution of the working population caused by the displacement of labor in manufacturing industries through mechanization of industrial operations, by the growth of new industries created to satisfy new wants and by the disappearance or decline of others that failed to serve an economic need or to suit consumer taste. Speculation regarding the extent of unemployment is futile until this information becomes available and a method is developed for collecting statistics of unemployment.

In most European countries, unemployment statistics are collected with a fair degree of accuracy by State Employment Exchanges. This is particularly effective in countries like Great Britain and Germany, which have a State Unemployment Insurance System and where every worker must register as being unemployed in order to qualify for insurance. No State in the United States has yet found it advisable or necessary to adopt state unemployment insurance. Obviously, the demand for such a system has not been sufficiently forceful to give it the backing of public opinion. Social and economic disadvantages of state unemployment insurance, in the opinion of many, still outweigh the benefits which would flow from it. The mere fact that it has not been possible to convince American public opinion that a large section of the working population is more or less steadily out of employment and without prospect of work indicates that a grave situation requiring drastic remedies does not exist.

The decline in factory employment, shown by the employment indices of the United States Department of Labor and of the Conference Board, in the last two months of 1929, scarcely warrants a gloomy outlook. The index numbers in both months were still higher than in any month of 1928. In January, 1930, the index number of the Department of Labor continued to decline and was 7.3% lower than the average for 1929, and 4.3% lower than in January, 1929, but was 3.3% higher than in January, 1928. The figures available from these sources for February, 1930, indicate that the decline in employment has been stopped. The advancing spring season and the expected business recovery will no doubt increase employment opportunities.

PRICES AND COST OF LIVING

The Department of Labor index number of wholesale prices was lower in 1929 than for any other year since 1922 with the exception of 1927. Prices of textile products, fuel and lighting, house furnishing goods and chemicals and drugs reached the lowest point since the deflation of 1921. Prices of farm products, foods, and hides and leather products also declined. Exceptions to this downward trend were metals

and metal products and some building materials. The cost of living for the United States as a whole was slightly lower in 1929 than in the preceding year in spite of higher retail food prices. The costs of shelter and fuel and light in 1929 were lower than in any other year since 1920, while clothing costs were lower than in any year since 1922.

INDEX NUMBERS OF PRICES

(Source: U. S. Department of Commerce)

Month	Wholesale, All Commodities		Farm Products to Producers		Retail Food	
	1928	1929	1928	1929	1928	1929
January	95.6	96.5	99.3	96.4	103.6	103.3
February	95.7	96.0	97.8	98.6	101.3	103.2
March	95.3	96.8	99.3	101.4	101.2	102.2
April	96.7	96.1	101.4	100.0	101.6	101.3
May	97.9	95.1	107.2	98.6	102.8	102.4
June	96.9	95.7	105.1	97.8	102.0	103.4
July	97.6	97.3	105.1	101.4	102.1	105.9
August	98.2	97.0	100.7	103.6	103.0	107.0
September	99.4	96.8	102.2	102.2	105.4	107.4
October	97.1	95.6	99.3	101.4	104.8	107.2
November	96.0	93.7	97.1	98.6	105.1	106.7
December	96.0	93.5	97.1	97.8	104.1	105.6

INDUSTRIAL PRODUCTION

The figures of industrial production, shown in the accompanying table, should be compared with the corresponding figures for the first eight months of 1928 and 1929¹ in order to see the degree to which the tempo of industrial activity has slowed down in the last few months of 1929. The gains recorded in the table were secured almost entirely during the period of record-breaking activity in the spring of last year, which fired the enthusiasm of the American people and gave the main impetus to the wild scramble for stocks and pushed their values up to a point out of proportion to company earnings. All production records in 1929, breaking all previous records, were established in the first half of the year, but the curve of the value of industrial and railroad stocks did not

¹ See National Industrial Conference Board, "A Picture of World Economic Conditions in the Summer of 1929," New York, 1929, p. 119.

begin its real upward swing until the month of June and did not reach the high point until September, when it became apparent that the process of discounting future earnings had gone too far and when dark clouds began to gather on the business horizon. After the stock market crash, the philosophers of gloom predicted a long period of declining business, widespread unemployment and misery. The stock market crash represented to them the end of a decade of uninterrupted prosperity, of steadily and rapidly increasing industrial and commercial activity, of the growth of gigantic new industries—ten years of tremendous effort which had, on the one hand, saturated the market and, on the other hand, exhausted the inventive genius of the stimulators of consumer demand.

It is, however, incorrect to speak of the decade just closed as an era of general prosperity and steadily increasing business activity. After the sharp decline of 1920–1921, the curve of manufacturing production increased until the spring of 1923. The recession that set in at this time continued until the following summer. A sharp recovery took place from June, 1924, until the spring of 1925. After a slight recession in the second quarter of this year, there was a steady improvement until the fall of 1926, when the curve turned sharply downwards and, after a recovery from December, 1926, to May, 1927, receded steadily, reaching the lowest point since June, 1924, in November, 1927. From this date until June, 1929, manufacturing production increased steadily, but declined in the second half of the year to the low level of the winter of 1927. If the average monthly production in 1923, 1924 and 1925, combined, is taken as 100, the index numbers of manufacturing production for the last decade are as follows:

Year	Index Number	Year	Index Number
1920.....	87	1925.....	105
1921.....	67	1926.....	108
1922.....	87	1927.....	106
1923.....	101	1928.....	111
1924.....	94	1929.....	119

The period taken as the average or “normal” includes one year of depression, 1924, one average year, 1923, and one year of good business. In four out of the last ten years, manufacturing production was below this average. During

the second half of the decade, production was from 5% to 19% above the average. The rate of increase from 1925 to 1926 was 2.9%; from 1927 to 1928, 4.7% and from 1928 to 1929, 7.2%. From 1926 to 1927, there was a decrease of 1.9%. The rate of increase in the manufacturing production of the United States during the past ten years has been little, if any, above the normal annual rate of expansion that has characterized American business since the beginning of the present century. The decade as a whole has had years of depression and years of prosperity. Some industries have shown phenomenal growth; some have remained static, while some have actually retrogressed. Most of the basic industries, such as railroad transportation, shipping, cotton and wool manufacturing, iron and steel, paper, leather and boot and shoe production have so far failed to show any marked or *sustained* degree of improvement since the recovery of 1923, nor has the return on capital investment been out of the ordinary. In other words, there is no reason to consider the stock market crash as the end of a special era in American economic history. The much talked-about "business boom" can not readily or generally be discovered in the past ten years' record of American business. There have been sporadic bursts of extraordinary activity, as in the spring of 1929, but, while the industrial machine was well able to maintain the pace, the consumer demand forced it to reduce the speed of its operations.

Individual Industries

The higher output of coal in 1929, as compared with 1928, was due to an increase of 13.6% in coal consumption by coke plants and 8.6% by electric power plants. The former consumed 86,516,000 short tons, and the latter 44,922,000 short tons in 1929. Consumption of coal by the railroads showed an increase of only 0.8%, amounting to 93,672,000 short tons. Coal exports in 1929 were 15,741,000 long tons, an increase of 9.1% as compared with a year ago. The increase of about 25,000,000 short tons in the output of bituminous coal in 1929 is very encouraging. Before the war, the output of bituminous coal doubled about every ten years, the normal rate of increase being about 10% a year. Since

1920, the industry has been in a state of depression brought about by industrial disputes, the growth of consumption of fuel oil and hydro-electric power, as well as by the improvement in furnaces and combustion methods which has enabled the consumers of coal to perform the same work with a much smaller quantity of coal than was required ten years ago. Thus for ten years the output of coal has not increased with the growth of industrial production. With the exception of 1929, no marked increase in coal production has occurred under normal conditions, and the producers of coal are hopeful that last year's results represent a reversal of the ten-year trend.

INDUSTRIAL PRODUCTION, 1928 AND 1929

(Source: U. S. Department of Commerce)

Commodity	1928	1929	Percentage Increase + or Decrease —
Bituminous coal (short tons).....	500,745,000	525,358,000	+4.9
Anthracite coal (short tons).....	75,348,000	76,640,000	+1.7
Coke, by-product (short tons).....	48,313,000	53,476,000	+10.7
Crude petroleum (barrels).....	901,464,000	1,005,603,000	+11.6
Gasoline, raw (barrels).....	376,945,000	434,241,000	+15.2
Copper, mines (short tons).....	909,051	1,006,203	+10.7
Copper, smelter (short tons).....	1,060,094	1,179,269	+11.2
Lead (short tons).....	651,130	691,978	+6.3
Pig iron (long tons).....	37,838,000	42,286,000	+11.8
Steel ingots (long tons).....	49,865,000	54,164,000	+8.6
Structural steel, new orders (short tons).....	3,287,900	3,842,300	+16.9
Automobiles.....	4,358,759	5,358,414	+22.9
Passenger.....	3,821,136	4,586,021	+20.0
Taxicabs.....	6,713	17,589	+162.0
Trucks.....	530,910	754,804	+42.2
Locomotives			
Installed.....	1,390	1,722	+23.9
New orders.....	353	1,048	+196.9
Building contracts awarded in 37 states (thousand dollars).....	6,628,000	5,754,000	-13.0

The record production of iron and steel was due mainly to the great increase in the output of automobiles, machinery and railroad equipment. The peak of activity, however, was reached in May, 1929, the remainder of the year showing a slackening of activity until the stock market crash. In the last three months of the year, the decline assumed serious proportions. Recovery made itself felt at the end of Jan-

uary, 1930, but was not maintained in February, and no definite revival of activity took place during the first quarter of the current year. The approach of spring weather, however, and the expected resumption of building operations in line with extensive building programs should give a necessary stimulus to the industry. Automobile production, after declining steadily from April, 1929, until January, 1930, showed signs of revival in the first two months of the current year. The January, 1930, production was 128% greater than in the preceding month. A further increase of 19.8% occurred in February. Production in January, 1930, was 32% and in February 31.8% lower than in the corresponding months of a year ago, but was higher than either in 1927 or 1928. Last year, a total of 26,501,443 motor vehicles¹ were registered in the United States, showing an increase of 8%, as compared with 1928. The machinery and electrical equipment industries were also more active in 1929 than a year ago, partly in response to a strong demand in export trade. The enameled ware industry, on the other hand, was forced to reduce its operations considerably owing to the decline in the building industry.

The production of copper in the United States was about 11% greater in 1929 than a year ago. The world production of copper established a new record last year with a total of 4,272,042,000 pounds. Deliveries were in excess of four billion pounds. Stocks of blister and refined copper in North and South America at the end of February, 1930, were 497,912 tons, as compared with 296,298 tons a year ago. The concern created by the considerable accumulation of copper stocks towards the end of the year has been largely eliminated by the drastic curtailment of copper production. In February, 1930, mine output amounted to 2,127 tons per day, the lowest since July, 1924. Since May, 1929, the price of electrolytic copper has remained unchanged at \$0.1778 a pound.

The textile industries showed, on the whole, a higher degree of activity in 1929 than in the preceding year, but the position of the different branches of the industry can

¹ Includes passenger cars, taxicabs, buses, trucks, tractors, trailers and motorcycles.

scarcely be termed satisfactory. Consumption of both cotton and wool was higher than a year ago; profits, however, were very low or non-existent. According to the President of the National Association of Wool Manufacturers, 1929 has been one of the worst years that the wool industry has ever experienced. No definite signs of recovery were noted in January and February of the current year. Consumption of silk in 1929 was greater than in any other year, while the output of rayon reached a new record with an estimated production of 162,350,000 pounds.¹ The principal problem in the rayon industry seems to be to prevent overproduction with resulting price cutting. It is felt that the newly organized Rayon and Synthetic Yarn Association will help to stabilize the industry through the development of fact-finding facilities by means of which the producers will be kept in closer contact with the conditions of the market.²

The petroleum industry is also faced with a problem of over-production. In 1929, the output of crude petroleum established a new record of 1,006 million barrels, a 12% increase over 1928. The peak of production was in August. During the last four months of the year there was a decline in production, but since during the period consumption also declined, there was an increase in stocks in each month with the exception of November. The total increase in stocks of all oil in 1929, according to the United States Bureau of Mines, was 67,606,000 barrels. Of this amount, over 18,000,000 barrels were in refined products. Run to stills of crude petroleum, both domestic and foreign, was 987,708,000 barrels, an increase of 8% over 1928. The production of gasoline was 434,241,000 barrels or 15% more than a year ago. Consumption of gasoline amounted to 371,852,000 barrels or 13.2% more than in 1928; exports were 61,208,000 barrels, an increase of 16% over 1928. At the end of December, 1929, gasoline stocks amounted to 43,115,000 barrels and were over 10,000,000 barrels above the figure at the beginning of the year. During January and February, 1930, an additional 10,000,000 barrels of gasoline went into stocks, raising the total to about 53,000,000 barrels, a new high record. The American oil industry is making a strong

¹ *The Textile World*, New York, February 1, 1930, p. 123.

² *Ibid.*

effort to check over-production, and it is hoped that, with the cooperation of the Federal Oil Conservation Board, a satisfactory solution of the problem will be found.

THE POSITION OF AGRICULTURE

The Department of Agriculture estimates the value of fifty principal crops of the United States in 1929 at \$8,580,731,000, on the basis of prices received by the farmers for their products on December 1, 1929. As compared with the situation a year ago, this represents an increase in value of \$85,000,000 or about 1%. The largest increases occurred in the valuation of hay and potatoes, the former being valued at \$1,349 millions and the latter at \$470 millions, as compared with \$1,240 millions and \$251 millions respectively a year ago. Fruits, vegetables and sugar crops were also valued higher than in 1928. The more important decreases in value were noted in grains and cotton. The value of the wheat crop declined from \$887 millions to \$841 millions; oats, from \$589 millions to \$538 millions; cotton, from \$1,302 millions to \$1,225 millions.

Wheat and cotton prices have been under steady pressure in the latter part of 1929 and the first quarter of the current year. The Federal Farm Board, created under the Agricultural Marketing Act of June 15, 1929, has repeatedly emphasized the fact that, if the farmers wish to receive remunerative prices for their products, they cannot go on increasing each year the acreage sown without regard to the fundamental law of demand and supply. As one member of the Farm Board states: "The Federal Farm Board cannot fix the world price of cotton. It cannot fully protect farmers from the consequences of over-planting; neither can the cotton co-operatives nor the new American Cotton Cooperative Association. The Board wants to help farmers to help themselves. If growers will reduce their cotton acreage, they will thereby help themselves to better incomes." The Farm Board, however, has not confined its activities only to organizing and assisting farmers' cooperative marketing and other organizations; it has entered the market as a buyer

through its Grain Stabilization Corporation. In a press release of March 6, 1930, the Federal Farm Board states: "The Grain Stabilization Corporation will continue buying wheat at the market and remove from the market whatever additional quantity that may be necessary to relieve the pressure and prevent any considerable decline in wheat prices. The Farm Board is prepared to advance to this farmers' organization whatever funds are necessary for that purpose." The money needed to finance the cooperation movement and the stabilization of prices comes from a revolving fund of \$500,000,000, authorized by Congress. The work of the Federal Farm Board will be watched with keen interest, not only by the farmers, but also by all other economic groups and by the general tax-paying public.

FOREIGN TRADE

The total value of foreign trade of the United States in 1929 was \$9,641 million dollars. This figure is more than one billion dollars higher than the estimated value of fifty principal crops of the country and indicates the extent of its interest in international economic relations quite apart from its position as the greatest creditor nation in the world. In 1929, the United States sold to foreign countries a quantity of goods valued at \$5,241 millions and bought from them \$4,400 millions worth of commodities. In this exchange of merchandise, the United States has a credit balance of \$841 millions. This excess of payments due to the country on merchandise account must be, and is, offset by an excess of payments from the United States to foreign countries on account of the so-called invisible transactions in international trade, that is, American investments and loans abroad, tourist expenditures, immigrant remittances, freight payments to foreign carriers and similar items entering into the balance of international payments. The balance of payments figures for 1929 have not yet been issued by the Department of Commerce, and this discussion will, therefore, be confined to an analysis of merchandise trade and its geographic distribution.

VALUE OF PRINCIPAL EXPORTS, 1928 AND 1929

(Source: U. S. Department of Commerce)

(In millions of dollars)

Commodity	1928	1929
Cotton, unmanufactured.....	920.0	770.8
Machinery.....	497.3	612.7
Industrial.....	224.8	277.8
Agricultural and implements.....	116.7	140.8
Electrical and apparatus.....	90.8	121.4
Petroleum and products.....	525.9	561.2
Refined oil.....	465.2	493.4
Crude oil.....	26.8	37.8
Automobile parts and accessories.....	500.2	539.3
Packing house products.....	187.2	202.8
Iron and steel mill products.....	179.6	200.2
Wheat (including flour).....	193.7	192.3
Copper (ore and manufactures).....	169.8	183.4
Tobacco (unmanufactured).....	154.5	146.1
Fruits and nuts.....	129.3	137.5
Cotton manufactures.....	134.6	135.1
Sawmill products.....	108.8	110.6
Coal and coke.....	99.5	106.2
Iron and steel (advanced manufactures).....	82.6	87.0

Principal Exports and Imports

The significant feature of the export trade was the increase in exports of finished manufactures to \$2,532 millions, or 12% above the corresponding figure for 1928. The growth in exports of this group of commodities has been a conspicuous feature of American foreign trade in the present century and particularly during the past ten years. In the five-year period 1895-1900, finished manufactures represented 21% of the total exports; in 1929, their share in the total rose to 49%. The accompanying table shows the value of principal exports during the last two years. Raw cotton retains the place which it has occupied for three-quarters of a century as the leading export commodity of the United States in spite of a 16% decline in value as compared with 1928. Machinery stands in the second place, followed by petroleum and automobiles. Foreign sales of the automobile industry reached a record figure of \$539 millions, or 8% above 1928, and more than three times greater than the average yearly sales for the period 1921 to 1925.

The imports of the United States consist mainly of such

PRINCIPAL IMPORTS, 1928 AND 1929

(Source: U. S. Department of Commerce)

(In millions of dollars)

Commodity	1928	1929
Silk, raw.....	368.0	427.1
Coffee.....	309.6	302.4
Rubber, crude.....	244.9	241.0
Sugar, cane.....	207.0	209.3
Paper and manufactures.....	156.4	163.2
Copper (ore and manufactures).....	98.2	153.7
Petroleum and products.....	132.8	143.5
Crude oil.....	90.5	79.9
Refined oil.....	40.9	61.0
Hides and skins.....	150.8	137.3
Furs and manufactures.....	118.4	122.5
Paper base stocks.....	112.3	118.1
Wood pulp.....	83.5	88.6
Vegetable oils.....	77.9	100.7
Tin.....	87.0	91.9
Wool and mohair.....	79.9	87.3
Fruits and nuts.....	89.7	86.6
Art works.....	65.8	82.1

AVERAGE MONTHLY VALUE OF FOREIGN TRADE OF THE UNITED STATES, 1923 TO 1930

(Source: U. S. Department of Commerce)

(In thousand dollars)

Imports

Year	Total	Crude Materials	Crude Food-stuffs and Food Animals	Manu-factured Foodstuffs	Semi-Manu-factures	Finished Manu-factures
1923	316,006	115,737	30,234	44,134	59,976	64,212
1924	300,830	103,008	35,406	43,467	54,657	62,446
1925	352,216	145,672	41,233	36,076	62,924	66,311
1926	369,241	149,405	44,980	34,793	67,024	73,039
1927	348,729	133,471	42,048	37,550	62,471	73,190
1928	340,954	122,217	45,820	33,789	63,554	75,574
1929	366,677	129,885	44,880	35,302	73,387	83,223

Exports

1923	340,893	100,170	21,457	48,608	46,977	123,147
1924	374,804	110,528	32,724	47,791	50,889	132,338
1925	401,560	118,505	26,491	47,813	55,140	153,695
1926	392,643	105,110	27,922	41,917	54,629	163,065
1927	396,572	99,398	35,092	38,608	58,311	165,163
1928	419,175	107,771	24,556	38,818	59,696	188,334
1929	429,784	95,200	22,466	40,356	60,761	211,001

raw materials and foodstuffs which because of climatic or other conditions can not be produced in the country. The value of imports of raw silk, coffee, crude rubber and cane sugar was \$1,179 millions in 1929 or 27% of the total. Imports of raw silk, both in quantity and value, were greater than in any previous year. The decline in the value of rubber and coffee imports was not due to smaller tonnage but to declining prices of these two raw materials. The quantity of crude rubber imports established a new high record. The average unit import value for 1929, however, was 19 cents per pound, as compared with 25 cents in 1928, 36 cents in 1927, and 55 cents in 1926. Imports of finished manufactures in 1929 increased to \$999 millions, or 10% over the preceding year. Newsprint paper, the leading import in this group of commodities, exceeded all previous figures, with a total value of \$145 millions and a quantity of 4,485,400,000 pounds. The distribution of foreign trade by groups of commodities is shown in the table on page 62.

Geographic Distribution of Foreign Trade

In recent years, the distribution of the foreign trade of the United States by geographic regions has undergone significant changes, as may be seen from the table on page 64. Since 1928, the percentage of American exports going to Europe has declined steadily. In 1929, Europe took 44.66% of American exports, as compared with 53.26% five years ago. The United Kingdom, Germany, France, and Italy accounted in 1929 for about 70% of the total European imports from the United States. The United Kingdom has definitely decreased her purchases of American goods in recent years. In 1928, Canada took the place of the United Kingdom as the most important single market for the products of the United States. The proportion of American exports going to North American countries, Asia, Oceania, and Africa has on the whole shown a tendency to increase. The greatest and most consistent increase has occurred in exports to South America. In each of the last seven years, the United States has increased its sales to this continent, until in 1929 their value was double that of 1923.

While the importance of Europe as a market for American

GEOGRAPHIC DISTRIBUTION OF THE FOREIGN TRADE OF THE UNITED STATES, 1923 TO 1930

(Source: U. S. Department of Commerce)
(In thousand dollars)

Imports

Year	Europe					North America		South America		Asia and Oceania		Africa
	Total	United Kingdom	Germany	France	Italy	Total	Canada	Total	Argentina	Total	Japan	
1923	96,421	33,673	13,433	12,468	7,689	83,460	34,667	38,952	9,606	89,918	28,912	7,255
1924	91,341	30,539	11,605	12,303	6,251	82,930	33,262	38,840	6,275	81,638	28,338	6,083
1925	103,182	34,392	13,679	13,120	8,517	81,711	37,853	43,233	6,681	116,411	32,011	7,679
1926	107,155	31,933	16,541	12,668	8,377	84,298	39,657	47,332	7,422	122,421	33,391	8,035
1927	105,339	29,828	16,713	13,983	9,081	82,122	39,586	43,190	8,103	110,307	33,509	7,771
1928	103,896	29,045	18,511	13,229	8,474	80,059	40,775	47,451	8,287	101,865	32,038	7,517
1929	111,057	27,481	21,223	14,291	9,756	81,856	42,023	53,316	9,799	111,401	37,740	9,051

Exports

Year	Europe					North America		South America		Asia and Oceania		Africa
	Total	United Kingdom	Germany	France	Italy	Total	Canada	Total	Argentina	Total	Japan	
1923	174,451	73,527	26,403	22,678	13,961	90,514	54,327	22,443	9,398	54,827	22,019	5,056
1924	203,775	81,912	36,702	23,472	15,595	90,837	52,003	26,188	9,758	55,925	20,859	5,858
1925	216,979	86,155	39,195	23,358	17,096	94,863	54,064	33,551	12,397	56,340	18,137	7,421
1926	192,512	81,051	30,347	22,000	13,117	98,040	61,547	36,959	11,965	64,771	21,730	8,440
1927	192,815	70,005	40,140	19,065	10,971	104,419	69,711	36,513	13,624	62,777	21,464	8,924
1928	197,909	70,611	38,937	20,058	13,510	110,114	76,226	40,068	14,908	69,546	24,013	9,726
1929	195,061	70,656	34,187	22,138	12,831	116,265	79,042	44,948	17,524	69,641	21,594	10,897

Percentage Distribution—Imports

Year	Europe					North America		South America		Asia and Oceania		Of Grand Total
	Of Grand Total	Of Total Europe	Of Total Europe	Of Total Europe	Of Total Europe	Of Grand Total	Of Total North America	Of Grand Total	Of Total South America	Of Grand Total	Of Total Asia and Oceania	
1923	30.51	34.92	13.93	12.93	7.97	26.41	41.54	12.33	24.66	28.45	32.15	2.30
1924	30.36	33.43	12.71	13.47	6.84	27.57	40.11	12.91	16.16	27.14	34.71	2.02
1925	29.30	33.33	13.26	12.72	8.25	23.20	46.33	12.27	15.45	33.05	27.50	2.18
1926	29.02	29.80	15.44	11.82	7.82	22.83	47.04	12.82	15.68	33.15	27.28	2.18
1927	30.21	28.32	15.87	13.27	8.62	23.55	48.20	12.38	18.76	31.63	30.38	2.23
1928	30.49	27.96	17.82	12.73	8.16	23.49	50.93	13.92	17.46	29.89	31.45	2.21
1929	30.29	24.74	19.11	12.87	8.78	22.32	51.34	14.54	18.38	30.38	33.88	2.47

Percentage Distribution—Exports

Year	Europe					North America		South America		Asia and Oceania		Of Grand Total
	Of Grand Total	Of Total Europe	Of Total Europe	Of Total Europe	Of Total Europe	Of Grand Total	Of Total North America	Of Grand Total	Of Total South America	Of Grand Total	Of Total Asia and Oceania	
1923	50.23	42.15	15.13	13.00	8.00	26.06	60.02	6.46	41.87	15.79	40.16	1.46
1924	53.26	40.20	18.01	11.52	7.65	23.74	57.25	6.85	37.26	14.62	37.30	1.53
1925	53.03	39.71	18.06	10.77	7.88	23.19	56.99	8.20	36.95	13.77	32.19	1.81
1926	48.04	42.10	15.76	11.43	6.81	24.47	62.78	9.22	32.37	16.16	33.55	2.11
1927	47.56	36.31	20.82	9.89	5.69	25.75	66.76	9.01	37.31	15.48	34.19	2.20
1928	46.31	35.68	19.67	10.13	6.83	25.77	69.22	9.37	37.21	16.27	34.53	2.28
1929	44.66	36.22	17.53	11.35	6.58	26.62	67.98	10.29	38.99	15.94	31.01	2.49

products has decreased in recent years, the United States has increased its purchases of European goods with the growth of total imports. The percentage of total imports bought from Europe has remained practically unchanged. In 1929, Europe sent to the United States 30.29% of the country's total imports. During the last seven years, this figure has not been below 29.02% or above 30.51%. The share of the United Kingdom in this trade, however, has been declining throughout this period. In 1929, the United States bought 24.74% of its European imports in the British market, as compared with 34.92% in 1923. Germany, on the other hand, has steadily increased her sales to the United States, while France and Italy have been able to maintain their share of the American trade at a remarkably steady level. Next to Europe, the most important source of American imports is Asia and Oceania, followed by North America, South America, and Africa. The table brings out the relative decline of purchases from North America.

Comparing the total values of goods sold to and bought from the different Continents, it may be observed that the United States has a surplus of exports in her trade with Europe, North America and Africa, while it buys more from Asia and South America than it sells to them. The existence of a large export surplus in American trade with the world and particularly with Europe is frequently described as being inconsistent with the position of the United States as a creditor nation. The problems involved in this complex situation have been the subject of a special and exhaustive study by the National Industrial Conference Board.¹ Suffice it to call attention here to the existence of a situation which has been for a number of years in the center of interest in many countries of the world, and which needs thoughtful attention of American business men, economists and public officials.

FINANCIAL CONDITIONS

The question still being asked is: "What happened to the stock market?" It has already been pointed out that the

¹ "The International Financial Position of the United States," New York, 1929, p. 276.

rapid upturn in the stock market did not occur until the month of June, 1929, when business was already showing signs of depression. Taking the average value of stocks during the three-year period of 1923-1925 as 100, the index number of railroad stocks declined from 189.3 in January, 1929, to 184.4 in June, while the index number of industrial stocks rose from 275.0 to 290.3. In September, 1929, however, the index number of railroad stocks was 217.7, and that of industrial stocks, 358.5, when the position of the stock market became exceedingly vulnerable. The number of persons "playing the market" had increased immensely. The tremendous demand for stocks naturally forced their prices upwards, and each new high quotation by any of the leading stocks seemed to strengthen the feeling on the part of the public that there was no limit to the upward movement. Brokers' loans reached the huge figure of about \$8,500 millions at the beginning of October. The real significance of this figure was unknown. Increases in brokers' loans were generally regarded as an unsound phenomenon, tending to deprive industry of the funds necessary for its expansion, but no proof of this contention was forthcoming. Lack of understanding, however, created a feeling of uncertainty which was not conducive to orderly trading. The investing public also failed to appreciate the true significance of the large volume of financing through investment trusts and holding companies, for the investment trust was a completely new factor in American finance, and its nature and functions were not fully understood during the period of the stock market boom. Finally, the undoubted effect which the capital gain taxes, federal and state, have had on reducing the supply of securities should be mentioned. Throughout the months leading to the crash, there was a decided unwillingness on the part of large holders of securities to sell their holdings and thereby sacrifice a considerable part of their gain through tax payments. There is scarcely any doubt that the rapid increase in stock prices would have been slowed down if capital gain taxes were not to be paid.

There were also a number of factors outside the United States that tended to put an end to the stock market boom by causing considerable foreign liquidation which the New

York stock market had to absorb at a time when domestic conditions were none too favorable. The resulting collapse in the American Stock Market came with dramatic suddenness and carried many securities below their actual values.

As has already been stated, business activity had started to decline before the stock market crash. To what extent security liquidation was responsible for the more rapid and serious business decline in the last three months of 1929 can not be established by means of statistics, for the fundamental factor in the situation was perhaps the psychological effect of the stock market break on the business community and the people in general. The remarkable strength shown by the country's credit system in resisting the shock of the panic was of greatest value in stimulating a revival of confidence in the fundamental soundness of the American economic structure. The various indexes of business activity during the first quarter of the current year indicate that the low point of the depression has been reached. The development of business during the spring season will show whether the incipient revival is a sign of a definite upward movement.

Perhaps the greatest promise of business revival lies in low money rates. Since the stock market crash, the United States has experienced seven months of "easy" money which during the last thirty years has always been a forerunner of business recovery. The money adjustments since last October, furthermore, have an added significance because of their world-wide extent. Even in Germany, where the scarcity of capital is the most serious economic problem, it has been possible to reduce the official discount rate to 5.5% from the 7.5% level prevailing practically throughout 1929. If history is to repeat itself, the signs of returning confidence which could be observed among American business men towards the end of the first quarter of 1930 should, by the beginning of the summer, develop into a deep faith that the time is ripe for a new upward movement.

New York City
April 1, 1930

PART II

SPECIAL REPORTS RECEIVED BY NATIONAL INDUSTRIAL CONFERENCE BOARD, INC., FROM ITS FOREIGN CORRESPONDENTS BY THE BEGINNING OF APRIL, 1930

SOME THOUGHTS ON THE UNEMPLOYMENT PROBLEM IN GREAT BRITAIN

Report of Sir Arthur Balfour, Chairman, Capital Steel Works, Sheffield

THE question of unemployment seems to have received so much attention in this country for such a long period, so many palliatives have been advanced in recent years and succeeding Governments have emphasized their particular capacity for solving the problem—before taking office—to such an extent, that we are tending to regard it as a spectre which cannot be banished, as a *sine qua non* of modern economic conditions.

We, in Great Britain, are apt to advertise and dwell upon our unemployment figures to a far greater extent than any other country, and this causes us sometimes to overlook the fact that there are more people employed in industry in this country than ever before. Between September, 1923, and June, 1929, there was a net increase of 916,000 in the number of people employed in this country, and this takes into consideration only the insured workers in industry. The real increase was probably much greater.

It is true that an unemployment figure, which is in the neighborhood of a million and a half and which in spite of all efforts to lower it continues in the wrong direction, constitutes a very grave economic problem, but Great Britain is not the only country with an unemployment problem. The idea seems to be widely prevalent that we are definitely on the decline, whilst all around us we are able to survey a world of humming activity.

I believe America keeps no national statistics of unemployed, but according to reliable computations, it is estimated that approximately three million persons are temporarily or permanently unemployed, and even this figure may be a conservative one. In Germany, too, there were approximately 2,200,000 people out of work at the end of 1929, whilst the problem is sufficiently grave in most Euro-

pean countries, with perhaps the exception of France. The Colonies and Dominions, too, where we might least expect it, are not infrequently faced with the two-fold problem of maintaining a high standard of living and at the same time preventing the unemployment figure from reaching alarming dimensions. In some quarters, unfortunately, there seems to be a tendency towards adopting measures, which are apparently more or less successful in the short run, but are bound to react disastrously against basic primary industries, in the long run.

Superficially, it would appear that the incidence of unemployment in so many countries might be due to a general surplus of population, which modern economic conditions cannot absorb. If we examine the published statistics, however, we find that the population of the world of late years has tended to increase less rapidly. This brings us to the resultant repercussion on the agricultural regions of the world. If the consuming population of the world tends to increase less rapidly, agriculture will find it increasingly difficult to dispose of its products. In other words, there will be a relative decline in the purchasing power of the world's agricultural regions. Food will certainly cost less, but the capacity of agricultural areas to absorb aggregate quantities of manufactured goods will decline and the cycle of international trade, which after all is fundamentally the interchange of the world's manufactured articles for foodstuffs and raw materials, will be interfered with. Therefore, it would seem that a general increase of the population of the world should act as a stimulus to employment.

It has been sometimes said that unemployment is a symptom of the imperfect adjustment of industry to the economic conditions of the time. One of the outstanding features of the post-war industrial situation has been the tendency for countries, which had hitherto concentrated on the development of primary industries, to build up secondary or manufacturing industries. Australia is perhaps the example par excellence, but the case of Canada, Brazil and other countries may also be cited. The net effect for the older manufacturing countries is that their markets will be those in which a direct exchange of manufactures for foodstuffs and

raw materials will be less easy to effect. This in turn will involve greater specialization and adaptation, and adjustment to economic changes. Is it true that conditions have changed throughout the world more rapidly than industry has been able to change to meet them?

If we compare the post-war economic and industrial history of America with that of Europe, it seems that the former has been the first thoroughly to grasp the changed conditions and profit by them. With the help of the most up-to-date machinery, and methods of rationalization (in the broadest sense of the word) and aided by the existence of a large self-supporting area, as regards food and raw materials, and to a great extent independent of external trade, America has been able to return to the period of normal cyclical trade fluctuations more rapidly than a Europe, more widely disturbed and disorganized by the war. And yet the gradual rise from the depression of 1922 to the peak of prosperity in 1929 did not enable America to solve the problem of unemployment.

Whatever the causes may be, unemployment is not confined to one country nor to one continent. We in Great Britain have attracted to ourselves the eyes of the whole world by the publicity which we have given to our unemployment situation for a number of years—I refer especially to the weekly published statistics—and the many and varying methods we have tried to solve a problem, which we are at last beginning to realize can only be solved in one way—by an improvement in our export trade. The fact that since 1911 twenty-five Unemployment Insurance Acts have been passed is sufficient to show the importance which is attached to the problem. The statistics which are published weekly and the prominence given to the matter by all political parties, whilst they may show a laudable desire on the part of every one not to let themselves be blinded to the hardship and suffering which a large volume of unemployment brings in its train, cannot fail to produce an erroneous impression in other countries and do much damage to our industrial credit.

The tendency of all political parties has been increasingly to concentrate on the gradual improvement of the lot of the more humbly placed in life, which has naturally entailed a

constant growth in the amounts annually spent on the social services. It is perhaps understandable why opinion in some European countries cannot comprehend the reasons which prompt us so earnestly to set ourselves the task of solving a problem, the difficulties in connection with which seem insuperable. The force of public opinion in this country, moving along humanitarian channels and always with a backward glance at those social reformers of the past, whose idealistic theories had more scope at a time when we could with truth be termed *THE* workshop of the world, is constantly urging us in the direction of any schemes which may hold out a hope of reducing the number of our unemployed, even though they may entail enormous increases in our expenditure. We simply cannot imagine ourselves adopting a cynical or passive attitude towards the question of unemployment.

And yet, if we are to face facts as they exist to-day in a world of increasing competition, we must bring ourselves to realize that we cannot reduce our burden of unemployment in the long run if we continue to place upon industry and therefore upon our basic exporting trades, ever-increasing burdens, in the shape of taxation and rates.

The cost of unemployment insurance for the year ended March 31, 1929, was £54 millions and this total, combined with the £45 millions, which were spent on Poor Law relief, brings home to us the tremendous handicap which the relief of the unemployed and the destitute places upon industry in the shape of increased taxation. The exact expenditure on public social services for 1929 is not available, but during 1928 it had reached the stupendous figure of £366 millions, including education, as against a total of £9 millions in 1891. The cost per head (excluding education) is now estimated at £3.18.0 per head of population, against a cost of 3/- per head in such a country as Italy.

I have often seen it stated that America alone amongst the nations realizes that prosperity depends on the well-being and wealth of the worker. Evidence in proof of this is cited in the high wages paid, the distribution of profits amongst the workers and the universal prevalence of the hire purchase system, whereby the worker is encouraged to

purchase his own motor car, etc. Such an assertion must entirely overlook such matters as National Health Insurance, unemployment benefit, old age pensions, widows' and orphans' pensions and parochial relief, which obtain in this country to an extent found nowhere else.

It is small wonder that industrial and commercial opinion in this country is constrained to protest vehemently against any increase in the amounts spent on social services, even at the risk of being labelled reactionary. Faced with the increasing industrialization of countries hitherto agricultural and good customers for British manufacturers, on the one hand, and by tariff barriers which seem to mount ever higher, on the other, we cannot afford to shoulder fresh domestic burdens and at the same time expect to compete in the world's markets to an increasing extent, which, as I have previously pointed out, is the only sure means of reducing unemployment.

Whilst on the subject of the domestic handicaps on British industry, one cannot overlook the high rates which have been levied on industry in the past. It is estimated that the total amount of local rates levied in 1914 was £79 millions and this has risen to something in the neighborhood of £200 millions. The unfairness of the system from the point of view of industrial concerns lies in the fact that hitherto rates have been payable, whether a profit was made or not. Prior to last year, according to calculations, the colliery industry was paying £3,400,000 a year in rates, although working at a loss.

The De-Rating Act was the most striking attempt indirectly to stimulate employment by the removal of some of the burdens on manufacturing concerns, thus enabling them to compete on somewhat more equitable terms in the overseas markets. Thanks to the Act, the handicap of crushing rates does not now press so heavily on the older basic industries. Nevertheless, the incidence of high rates has been one of the primary causes of a re-orientation of industrial activity and employment in this country. The newer and lighter industries which have not been tied to the northern latitudes by the need for easy access to the coal fields, have exercised their freedom to choose latitudes, where the burden of exces-

sive rates has not weighed so heavily. They have almost entirely eschewed the north and have developed in the south and Midlands. There is, of course, no evidence to show that the heavy metal industries are disposed to leave the areas in the north, which give them easy access to coal and to the sea; nor is the cotton industry preparing to fly from the humid atmosphere of Lancashire, nor the woollen industry from Yorkshire, but such comparatively recently established trades as the motor industry, the artificial silk industry and other so-called luxury trades, which now provide employment for large numbers of workpeople are establishing themselves in localities which have been devoted almost entirely to agricultural development. These industries have a large potential domestic market which has not reached saturation point and, moreover, in almost every instance, they are protected from unfair foreign competition by the existence of safeguarding duties. One can only conjecture what the ultimate effect on employment in the cotton and woollen industries of the north, the increasing use of artificial silk in textiles previously composed wholly of cotton or wool, will have, but it is inevitable that these old-established industries are bound to be jeopardized unless they can obtain their raw wool or cotton at cheaper prices or can induce changes in fashion on the part of the wearing public. In the case of wool, at any rate, there seems to be no indication that the present fiscal policy of Australia is going to make for cheaper export prices for the raw product. However that may be, statistics show that employment which in the northern half of the country has increased by only 2.59% over the 1923 figures, has increased by 10.31% in the southern half of the country. Many of the workers in the depressed basic industries of the north have found employment in the domestic industries of the south and southern midlands, the percentage increase in the silk and artificial silk industries being as much as ninety-three during the period from 1923 to 1929, whilst such industries as artificial stone and concrete manufacture, electrical engineering and the motor vehicle trade have shown tremendous advances. In the case of artificial silk alone, if we consider the employment over the

last five years, there has been a total increase of four hundred per cent.

Whatever inferences we may draw from these figures, a school of thought exists and is gaining ground which insists that we have in the past invested too much of our money abroad and that we have assisted too much in the industrial development of new countries which are now entering the field as competitors against us. The example of America is cited as a country which has concentrated upon and artificially stimulated her home trade, with beneficial results, and even though she possesses a tremendous initial advantage due to her size, population and the possession of foodstuffs and raw materials, it is argued that a similar policy could with advantage be followed by this country. In this connection, however, we must not overlook the fact that our past overseas investments, apart from anything else, bring in £285 millions per annum in interest, and this sum helps largely to offset our adverse trade balance and pay for some of our social services.

Theoretically, the ideal to which an intensive stimulation of the home market would lead would be, for example, to pay large wages to such as miners and other workers, to enable them to purchase dear clothes from cotton and woollen operatives, who in turn would be so well off that they could afford to buy motor cars made from expensive steel and coal: a whole nation in which money and luxuries abound. But there would still remain the fundamental question of obtaining and paying for our food supplies from abroad, as farming could not be developed sufficiently to make us self-supporting. The only alternative source of supply would be Empire countries, which would not be able to take home manufactured goods which were not competitive in prices.

The extent of unemployment and the different economic theories which have arisen in regard to methods of solving the problem have perhaps been the main cause of focusing public opinion on the need for closer economic cooperation between the Empire countries. Every one desires to see an expansion of Empire trade and every one realizes that the basis of such expansion must be to a great extent mutual. Much has been done in this country in the way of propa-

ganda, by means of the Empire Marketing Board and by drawing the attention of the public to the many and varied Empire products which can be purchased. For their part, the Dominions and Colonies have been very helpful by co-operating in Empire emigration schemes, but naturally, in the development of such schemes, it has to be remembered that the Dominions have unemployment troubles of their own and, on the other hand, it has been found that the attempt to settle industrial workers from this country on the land in Canada and Australia has proved that in many cases they are unsuitable for agricultural work. The initial attempt to relieve depression in the coal industry by mass transference of workers to assist during the harvest in Canada proved only partially successful. It is, however, obvious that some relief may be obtained by the speeding up of emigration schemes.

Much attention has recently been drawn to Lord Beaverbrook's campaign for "Empire Free Trade." In my view, such a campaign can only be successful if we are to begin by imposing preferential duties on all classes of foodstuffs and raw materials, which the Colonies and Dominions export to this country. It is essentially a plan for the taxation of imported raw materials and foodstuffs and is calculated to put up both the costs of production and the cost of living in this country, at any rate for some time. How can we afford to do this at a time when it is essential that our costs should be as low as possible in view of our dependence on the export of our manufactured goods? Not only should we lose the bulk of our foreign trade, but also much of our Empire trade, as Empire countries would find foreign goods cheaper than ours, unless they could be induced to erect prohibitive tariff walls against all foreign manufactured goods.

It is obvious that the Lord Privy Seal and the permanent officials with whom he is working realize that the solution of our unemployment problem must depend upon finding customers for our products, on the recovery and development of four overseas markets, and the artificial creation of unnecessary and unremunerative work can never be a remedy. There is, however, another school of thought which desires the introduction of all kinds of palliatives. This school

wishes to increase unemployment benefits, to raise the school-leaving age with handsome maintenance allowances, to introduce family allowances all round and to pension off the older workers in industry at a living rate in order to make room for the younger unemployed. Others again insist that the effective solution of the problem lies in the organization of a big emergency scheme for the provision of work.

In view of our present heavy commitments in this direction, there are serious dangers and difficulties in the way of the extension of doles and allowances.

For example, the immediate effect of the financial proposals of the Unemployment Insurance Bill will be to increase the Treasury contribution to the Unemployment Fund by £12½ millions in 1930-1931.

To pension off the older workers in industry, whilst it may be desirable as an end in itself, is hardly practical politics at the present time, and any big scheme of this nature merely involves more consumption without more production. Further, many of the older workers in certain industries are key men, the wholesale removal of whom at a time when industry is at the cross roads would aim a serious blow at the country's productive capacity, particularly as so many industries are in process of re-organization.

Whether it is good policy to raise the school-leaving age is a debatable point. It is certainly being opposed by many Local Education Authorities throughout the country. In any case, the accompanying maintenance allowance will be an additional burden on industry.

Those who hold that some big emergency scheme for the provision of work is essential do not necessarily disapprove of the measures which are proposed for the gradual rehabilitation of industry, but they insist that concurrently an immediate and active policy for the provision of utility work is called for. Let us for a moment examine what has already been done in this direction.

The last Government spent £100 millions in relief work in four years. Since the present Government entered office, new powers have been conferred upon the Unemployment Grants Committee to aid relief works; grants have been made in aid of public utility undertakings, including those

controlled by private persons, and to all intents and purposes there has been a revival of the Trade Facilities Act, including the new departure of setting aside one million pounds a year for Colonial development.

The railway companies, gas companies and water supply companies have been encouraged in this way to embark on new schemes of development, the total cost of which has been estimated (up to the end of November, 1929) at under £8 millions and similarly, during the same period, local authorities had embarked upon schemes in respect of works of public utility at a total estimated cost of £12½ millions. The schemes vary in duration from two to three months to several years; some persons will be employed for comparatively short periods, others continuously for long periods. Further schemes are under consideration, but even if the most optimistic forecasts prove true, the amount of employment provided will not seriously affect the unemployment returns.

Let me give one illustration of the cost and effect of relief works in one locality, which is probably typical of others. In five years, the municipality of Sunderland spent one million pounds on relief works. The total number of people employed all the time was just over 400 (they were not the same people). While the result was that certain pieces of useful work were considerably anticipated and the amenities of the town were improved, the cost entailed an addition to the rates of 9d. over a period of twenty years.

Under the Colonial Development Act, the scheme for the construction of the Zambesi bridge will be proceeded with and will probably provide employment for some 4000 men in this country, and further schemes in Tanganyika territory will provide additional employment here.

Grants have been made in connection with the Road Fund for Works of major importance under a trunk road programme and also under a five years' programme for the improvement of classified roads and bridges. In connection with these schemes, the liability from the Road Fund alone will amount to £16 millions and the employment provided will be equivalent to the employment of 100,000 men for a year.

Thus, it will be seen that we are already spending enormous sums in Unemployment Relief Work—too much in the opinion of many—and the accusation that we are concentrating too much on the rehabilitation of industry, rationalization schemes, etc., whilst neglecting the possibility of immediate provision of relief work, cannot be sustained. The fact is that we cannot afford in the present state of industry to go in for further expensive schemes which are non-productive.

In an article of this nature, mention must be made of the Industrial Transference Policy, inaugurated by the last Government, which is still being maintained. It may be true to a limited extent that transferees help to keep local unemployed out of jobs, but in my view, when a district is so depressed industrially that it reaches a point of absolute stagnation, as has been the case in some of the villages in the South Wales coal district, where practically the whole population has been unemployed and a vicious circle of poverty has resulted, accompanied by total incapacity to pay rates or provide for essential public services, the only solution is a policy of careful transference to localities where there is a better chance of employment. In the depressed state of trade, there are bound to be exceptional cases of this nature. At the present time, it is obvious that the coal trade has reached saturation point as regards employment, and if the surplus employees can be absorbed into newer industries providing more scope, I do not see why a careful policy of industrial transference should not be adopted.

I have endeavored to show in my foregoing remarks that there is no short-run remedy for the solving of our unemployment problem. The only permanent cure depends on the recovery of markets overseas, which in turn depends on the organization of our industries at home, to enable them to compete in the world's markets under present day conditions of high tariff barriers and the increasing industrialization of other countries. It is estimated that 64.8% of our unemployed would probably be in steady employment in times of normal trade, and it is to the provision of work for this 64.8% that our main efforts should be directed.

In consideration of the means whereby we can best equip

our industries to compete in world markets, our thoughts turn at once towards what is commonly termed rationalization. It is a term which we hear on everybody's lips and it seems to be thought a panacea for all our evils. It is certainly essential that our industries should be run on absolutely up-to-date lines and any machinery or equipment which is obsolescent must be ruthlessly scrapped. Our marketing methods must be thoroughly overhauled and if we find that our competitors' methods are more successful, we must not hesitate to remodel our own on better lines. Amalgamation is not infrequently essential if access to adequate capital for development purposes is to be obtained, but there is a danger that by being too anxious to re-equip ourselves, we may bring about a state which is the exact opposite from what we desired. There is just a possibility that when two or three or more firms amalgamate, one or more of the constituents may be highly efficient and organized already and the other constituents may be inefficient and act as a drag on the whole concern. In such cases, perhaps it would be more advisable for the weaker units to disappear, rather than act as a drag. It is no use bolstering up inefficiency.

At the same time, we cannot overlook the fact that rationalization schemes may temporarily at any rate aggravate the unemployment situation. This has actually been the case in connection with some of the amalgamations which have taken place in the iron and steel trade. Amalgamations in many cases may result in greater employment in the long run, but when we are seeking every means to secure a speedy reduction of our unemployment figures, we cannot afford entirely to overlook immediate effects. Probably much of the increase in unemployment in the cotton industry is due to the double effects of intensified depression and partial rationalization, which is throwing additional workers out of employment.

Much criticism has been levelled against the new Economic Council on the ground of redundancy. Certainly many of the state departments are concerned specially with economic problems, but they cannot all be dealt with satisfactorily either by experts or by Cabinet Committees. The present

Council, which is a small body and comprises economists as well as practical industrialists, though much of its work will have to be carried out behind the scenes, will doubtless have a good chance of exerting real influence on the development of economic policy. What is required is a coherent and continuous survey of economic needs and problems, in the place of much that has in the past been discontinuous and disconnected. Perhaps this has been to some extent inevitable, in view of the fact that we have had one Government succeeding another, holding quite divergent views on the subject of all-important problems of policy. To take one case alone, the question of safeguarding of industries should be a question to be discussed quite apart from party politics. But hitherto, we have seen the spectacle of one political party imposing certain duties on specific articles, after due enquiry, and a succeeding party, as doctrinaire Free Traders, removing them. It is admitted on all sides that nascent industries, such as the artificial silk and motor car industries, could not have attained their present degree of prosperity but for the Safeguarding duties, which have been placed on important motor vehicles and artificial silk. But at the present time, grave uncertainty exists in these and in other safeguarded industries, owing to the probability that on the occasion of the next Budget in April, they will be repealed. It seems hardly fair to the industries themselves to keep them in such a state of suspense, and nothing is more certain than that this state of suspense has already been instrumental in adding to the number of persons on the Unemployment Register. The new Economic Council is at any rate a non-political body, and as such will be in a better position for suggesting a coherent and continuous policy for the different public departments to follow.

We must not delude ourselves with the thought that prosperity will return of its own accord, and that we have only got to wait for a return to our pre-war conditions. Those conditions are gone for ever and we have got to re-create prosperity for ourselves by setting out thoroughly to recondition our methods and equipment to enable us to compete in and recapture those markets which are temporarily closed to us. When this happens we shall find that many of our

troubles will begin to right themselves, including the major one of unemployment. The task is great and difficult, but it is not beyond the full economic capacities of the nation, acting in effective harmony.

At the moment, it would seem the only two means of reducing the number of the unemployed is by safeguarding some of the great basic industries and an increased effort to emigrate some of the population. All other methods have so far proved of little value.

Sheffield
March 6, 1929

BRITISH ECONOMIC CONDITIONS IN 1929

Contributed by the Intelligence Department of the Midland Bank Limited, London, transmitted through the Rt. Hon. Reginald McKenna, Chairman

THE year 1929 was a very eventful one in British economic life—perhaps the most eventful, with the exception of 1926, since the break in the post-war trade boom. Its outstanding features may be summarized in four brief general statements:

1. The dominance of monetary and financial developments, some essentially international and some domestic in character;
2. A higher level of trade activity, considering the year as a whole, than in 1928, with a noticeable relapse in employment towards the end of the year;
3. A mixed record in the leading industries, with marked improvement in coal and heavy metals and continued if not deepened depression in textiles;
4. The achievement of substantial progress towards re-organizing and re-conditioning the industrial structure.

These four statements will be developed in the present survey, and, following the sequence here adopted, attention may first be directed to the course of monetary and financial developments.

The year was distinguished by an extraordinarily heavy volume of gold movements, determined mainly, though to a large extent indirectly, by events in the American stock markets. Early in the year, following persistent weakness of sterling in terms of dollars, the Bank rate was raised by a full point, to $5\frac{1}{2}\%$. This step, however, was insufficient, on the one hand, to counteract the attraction of funds to New York and, on the other, to overcome the associated difficulty experienced by foreign borrowers in obtaining access to the American capital market. The result was that, although the Bank of England secured a slow but steady reinforcement of its gold stock out of open market supplies, sterling remained at a low exchange value. About mid-summer a new and excessive outflow of gold began. Some

of the metal went to the United States, more to Germany, and much more to France. London was in fact the scapegoat, monetarily speaking, of events in New York, while it had to bear in addition the full brunt of the demands for gold set up by an undervalued franc. A further rise of a full point in Bank rate was enforced towards the end of September, by which time the Bank's gold stock had fallen to about £132½ millions. At this stage the collapse in the American stock markets brought relief; sterling shot up to a strong premium, which not only checked the outflow, but induced imports of gold even from the United States. Further quantities came from Australia and Argentina, these contributions being augmented out of the regular arrivals of newly-mined gold. The combination of forces resulting in this radically changed situation made it possible to reduce Bank rate by easy stages to 5%, the level at the end of December, while the gold stock was restored to £146 millions—only £7 millions below the figure at the beginning of the year.

In the face of these extraordinarily heavy movements, far surpassing in scope any previous experience with the post-war gold standard, the Bank pursued an enlightened and skilful credit policy. Evidently recognizing that the persistent weakness of sterling was due purely to money market disparities and not to local inflation, the potential effects of the gold outflow on the credit base were steadily and almost entirely neutralized by increasing the Bank's holding of securities. The policy was to maintain the volume of credit while raising its price. The justification of the policy was to be seen in the fact that adjustment of money market conditions took place without any serious degree of deflation in this country, such as would necessarily have occurred if the gold outflow had been allowed to exercise its full effect on the volume of credit. The modern conception of central banking policy, which distinguishes sharply between exchange movements due to price disparities and those due to money rate divergences, was thus triumphantly vindicated.

Although, therefore, the Bank's policy was calculated to minimize the effects upon industry and trade of these startling developments in international money markets, it was at the same time impossible wholly to avoid them. The mere

presence of higher and rising money rates, necessarily accompanied by increasing charges for bank accommodation, acted as a deterrent to industrial and trading enterprise. Meanwhile, moreover, disturbing events were approaching or actually taking place in the field of domestic finance. When the year opened, the boom in new capital issues, largely of a speculative type, was well under way. A slight check was given, more particularly to stock exchange activity, early in the year, when the initial rise in Bank rate took place. It was not until considerably later, however, that the heavier blows were inflicted. Unfavorable first reports of newly-formed companies, many unexplained delays in the issue of accounts, numerous underwriting defaults, and proceedings for winding up scarcely-born companies combined to create grave unsettlement. A few small failures in the money market added to the general nervousness. And finally the collapse, through criminal operations, of a vast structure of inter-locking finance completed the process of suppression of all forms of speculative activity. The financial markets lapsed into almost complete quiescence. Public new issues towards the end of the year were negligible in amount, while stock exchange activity fell to a very low ebb.

When all these factors of disturbance and uncertainty are considered it is not surprising that industry to some extent belied the hopeful prospects entertained earlier in the year. In point of fact, a distinct flagging of business activity was noticeable towards the end of the period. Despite this setback, however, the year taken as a whole recorded a higher degree of production and employment than 1928, though the improvement concealed great variability in the position of individual branches. A marked recovery was witnessed in the coal industry. Production increased appreciably, largely in response to a pronounced expansion in exports. The profit and loss returns of mining undertakings showed slightly more satisfactory results than in 1928, though losses were still widely incurred. The larger export trade in coal has to be attributed partly to the operation of cooperative marketing schemes in different areas, the most notable being the "Five Counties" scheme, which covers roughly nine-tenths of the output of the area involved and two-fifths of the entire pro-

duction of all the mines in Great Britain. Towards the end of the year the new Government introduced its promised legislation dealing with hours of labor in mines and, among other things, coordination of production and marketing. The sections of the bill relating to this subject provide, in their original form, for national coordination of district schemes, on advanced and harmonious lines, designed to cover the entire industry. At the moment, however, following strong Parliamentary opposition, this particular part of the bill is in suspense, having been held over for further consideration. Meanwhile the Government is proceeding with the section of the bill having as its effect a reduction in the maximum statutory working day from 8 to 7½ hours, and this arrangement is expected to come into force shortly, assuming the bill is finally passed.

The iron and steel trades have also shown a welcome revival. The output of pig-iron in 1929 was the largest since 1920, while many more blast furnaces were in operation in the second half of the year than in the last six months of 1928. The production of steel was greater than for any year on record, with the exception of 1917, and in general the position of Great Britain as a producer of iron and steel in the post-war world was not only maintained, but actually improved. This is not to imply, any more than in the remarks on coal, that conditions are yet satisfactory. Production remains far below nominal capacity; a great deal of idle labor is still attached to the industry, while too large a proportion of the output is produced on terms which yield an insufficient profit, if any at all.

Accompanying the improvement in iron and steel, parallel movements have occurred in some related industries. Engineering, considered as a whole, enjoyed a better year, though some sections, notably the textile machinery branch, remained depressed. Shipbuilding has maintained an unexpectedly high level of activity, the output, though still well below capacity, comparing favorably with previous post-war years. The comparison is at first sight remarkable in view of the heavy fall in freight and time charter rates, but various factors combined to postpone, and perhaps partially neutralize, the full effect of this depressing influence.

The decline in freight and time charter rates, arising from a combination of circumstances limiting the volume of carrying trade, resulted in a disappointing year for shippers. Idle tonnage increased sharply at the end of the year. Not only has it been difficult to obtain favorable returns from outward voyages, but a further problem has arisen in the attempt to secure homeward freights. As a result, many ship-owners have sustained losses, particularly on more recent operations.

The story of the textile industries in 1929 is by no means a happy one. In the first place, the long-standing depression in the cotton industry has been unrelieved by any marked recovery. Conditions in India and China have enhanced the difficulties already experienced in expanding business with overseas markets. The quantities of cotton yarns and piece goods exported both showed declines in comparison with 1928. Secondly, a distinct change for the worse occurred in the woolen industry. The depression, to the extent that the prolonged mild weather in this country was responsible, may perhaps prove only temporary in character, but as far as it was due to tariff changes abroad it may prove extremely difficult to overcome. Among the other textiles, even artificial silk failed to maintain its record of consistent prosperity.

Agriculture, too, has little cause to be gratified with the record of 1929. Thanks to favorable weather, good crops were secured, but the abundant supplies of cereals in other countries brought about a heavy fall in prices, reducing the returns to farmers. Quotations for some grains in the past year fell actually below pre-war figures. Meanwhile last year's drought rendered it difficult to keep livestock on terms which made for profitable disposal.

From this brief survey it will be seen that on the whole, considering the added difficulties and uncertainties arising from monetary and financial developments, British economic activity achieved a fair record of progress in 1929. The most disturbing feature was the recession towards the end of the year, which may prove on the one hand to be merely a pause in the upward trend, or may take on, by contrast, the dimensions of a major relapse. At the other side of the picture, perhaps the most encouraging sign is to be found in the

movement, which gathered speed in 1929, towards more efficient industrial and trading units and equipment. To mention a few examples, substantial progress in this direction has been accomplished in the heavy industries; some further advance has been recorded in cotton, while among materials, steps similar in essence are being taken in raw wool. Plans for co-ordination of production have proceeded to a forward stage in the case of coal, representing home products, and tin, representing a commodity produced abroad largely under British financial control. The initiation of discussions and active negotiations on an international basis marks an important step in the direction of avoiding the worst effects of world-wide overproduction.

Further encouragement is to be derived from the widespread and energetic scientific investigations now being conducted into various aspects of our economic life. The Government has appointed an inquiry into the relations between finance and industry, covering the whole field of monetary policy. Two other smaller committees, consisting partly of members of the Government, are considering what steps can be taken to improve the competitive power of producers in the iron and steel and cotton industries. Quite recently, moreover, the Government has announced its intention of setting up a permanent Economic Advisory Council to consider and make recommendations upon all economic questions officially submitted to it. In addition, conversations have been proceeding between representatives of the Government, the banks and the issuing houses with a view to securing that industrial reorganization shall not be hampered by lack of capital provisions. Finally, joint efforts are being made on the part of employers' and trade unions' representatives to discover scientific solutions of some of our most pressing industrial problems.

All these developments provide food for hope, since in the aggregate they can hardly fail to contribute to greater prosperity in the future than in the past decade. Time is needed, however, for their full fruition, and few signs are yet available, at any rate in some of the most important export branches of industry, of increased competitive power in overseas markets. Nevertheless, the volume of British ex-

ports, after eliminating the influence of price changes, was considerably greater in 1929 than in 1928. On the other hand, a still larger expansion was recorded in the volume of net imports. These developments, in conjunction with price variations, resulted in an increased debit balance on account of commodity trade. The total monetary value of our overseas trade increased, but whereas imports rose by £26 millions, exports expanded by only £6 millions, while re-exports fell by £10½ millions. Thus the import surplus, which amounted to £351¾ millions in 1928, rose to £382¼ millions in 1929. Among British exports, coal alone increased by far more than the aggregate rise, but cotton yarns and piece goods, woollen and worsted yarns and manufactures, and other textile products, all showed heavy declines. The greater part of the rise in imports was accounted for under the heading of articles wholly or mainly manufactured, this being perhaps the most disturbing fact of all those revealed by the trade returns. The decline in re-exports was attributable mainly to a fall in outward shipments of rubber.

Combining all the developments in finance, industry and trade in the past year, it is legitimate to view the future with a somewhat higher degree of reasoned optimism than was possible twelve months ago. The year 1929 brought a useful process of sanitation in international monetary and domestic financial affairs, and the atmosphere is distinctly clearer as a consequence. The progress towards more scientific organization of our economic life is encouraging, though the immediate outlook is confused by uncertainties regarding the budget to be introduced in April. Meanwhile the re-definition of the problems of reparation and inter-ally debts (for the problems are by no means "settled") and the prospects of definite improvement in general international relationships give a happier appearance to world affairs. The future for this country's industry must depend very largely upon the success achieved or failure recorded in dealing with three major problems in the international field. Two of these—the incidence of tariffs and tariff warfare, and the recovery of buying power in countries sorely afflicted by the fall in the value of silver—are largely political in their nature and would seem to call for solution mainly by effort along political channels. The third is essentially economic, and

can be dealt with only upon an economic basis and by economic agencies.

The year 1929 has witnessed a pronounced appreciation in the value of gold. World price levels have fallen materially; gold is being hoarded, not so much by individuals as by central banks. And it becomes apparent that, however skilfully the short-term effects of gold movements may be minimized by central bank policy, gold still calls the tune over the long period. This is natural because the short-term action is taken in the domestic field, whereas the long-term operation of the gold standard is world-wide in its scope. International considerations delimit the field of activity of domestic monetary mechanisms.

The problem of maintaining a steady level of commodity prices is of peculiar importance to this country. Everybody knew, when Britain returned to the gold standard, that British prices would need to fall substantially in order to come into harmony with those in America. The fall in wholesale prices quickly took place, but retail prices and wage rates entirely failed to adjust themselves to the new wholesale level. Consequently the disharmony already existing at the time of the return to gold was actually widened as a direct result of that action. As if this were not enough, the trend of world prices has followed a downward course, thus still further emphasizing the disparity between wholesale and retail prices and wage costs in this country. It has therefore been a problem of the first magnitude to bring British costs of production on to a level making it possible and profitable to compete with producers in less hampered countries. Small wonder that this and all its related problems are taking a long time and a prodigious amount of thought, effort and sacrifice to solve. A concerted line of action on the part of the leading central banks to stabilize the value of gold would at least remove one of our difficulties. The problems arising from other causes are accentuated by the rise in the value of gold, and if this trend were to be arrested we should be in a far better position to cope with the outstanding obstacles to trade recovery.

The following tables are designed to illustrate and give fuller information upon some of the points mentioned in this survey.

OTHER FINANCIAL STATISTICS

Month	Bank Clearings (£ millions)		Postal Receipts (Daily Averages: £ thousands)	New Capital Issues ¹ (£ millions)		Rate for 3-Months' Treasury Bills (Monthly Averages: %)	Wholesale Prices ² (1913=100)	Cost of Livings ³ (July 1914 =100)	London-New York Exchanges ⁴ (Monthly Averages: \$ to £1)
	London	Provincial		Home Purposes	Overseas Purposes				
1928:									
January.....	3933.7	152.1	126.7	14.2	19.6	4½	141.1	168	4.8758
February.....	3413.2	142.5	122.4	22.6	5.2	4¾	140.3	166	4.8753
March.....	3745.5	153.6	128.0	18.7	23.0	4½	140.8	164	4.8802
April.....	3677.5	136.9	126.3	10.6	8.0	4	142.9	164	4.8822
May.....	3914.4	145.0	123.7	25.8	13.5	3¾	143.6	164	4.8819
June.....	3703.8	131.8	124.6	25.4	16.0	3½	142.6	165	4.8804
July.....	3715.3	143.1	126.4	24.1	17.7	3¾	141.1	165	4.8635
August.....	3520.7	126.2	121.5	5.5	1.0	4¼	139.3	165	4.8536
September.....	3319.0	121.9	128.4	7.6	10.7	4¾	137.6	165	4.8508
October.....	3961.0	145.7	138.9	29.7	10.9	4¾	137.9	166	4.8497
November.....	3734.4	135.1	135.2	17.0	11.0	4¾	137.9	167	4.8496
December.....	3566.2	139.5	164.9	18.0	6.7	4¾	138.3	168	4.8527
1929:									
January.....	4274.3	147.7	124.9	18.0	29.4	4¾	138.3	167	4.8500
February.....	3592.2	137.8	120.1	26.2	6.9	4¾	138.4	165	4.8524
March.....	3692.8	141.2	127.9	24.8	9.0	5½	140.1	166	4.8528
April.....	3677.1	132.2	129.6	28.8	6.0	5½	138.8	162	4.8537
May.....	3647.1	128.1	128.1	12.3	8.8	5¾	135.8	161	4.8510
June.....	3428.2	126.9	128.1	14.0	11.4	5½	135.6	160	4.8486
July.....	4143.7	145.5	131.3	13.9	8.3	5¾	137.4	161	4.8515
August.....	3658.4	121.9	123.0	2.2	1.4	5½	135.8	163	4.8486
September.....	3351.9	118.9	129.2	1.5	1.2	5¾	135.8	164	4.8486
October.....	4042.7	138.9	136.7	7.5	4.1	6½	136.1	165	4.8703
November.....	3865.2	133.1	135.5	6.3	6.7	5½	134.0	167	4.8777
December.....	3523.0	126.9	175.7	4.0	1.2	4¾	132.5	167	4.8819

¹ Midland Bank compilation

² Board of Trade index number

³ Ministry of Labor index number

⁴ "Statist" averages

BANKING STATISTICS

(Averages of weekly figures: £ millions)

Month	Bank of England					Notes in Circulation	Ten London Clearing Banks		
	Gold Holdings ¹	Total Deposits	Total Securities ²	Reserve in Banking Dept. ¹			Deposits	Cash	Percentage: Cash to Deposits
1928:									
January.....	154.8	128.9	108.3	38.7		371.5	1784	201	11.3
February.....	157.3	111.4	87.5	42.1		365.0	1734	192	11.1
March.....	157.9	113.1	88.6	42.8		357.3	1709	190	11.1
April.....	158.5	116.4	91.2	42.9		373.2	1728	191	11.1
May.....	161.9	113.8	85.2	46.3		371.7	1725	192	11.1
June.....	169.0	123.0	87.6	53.3		374.1	1768	197	11.2
July.....	174.9	127.3	87.0	58.3		376.2	1786	197	11.0
August.....	174.6	115.6	75.4	58.3		375.6	1768	195	11.1
September.....	175.6	117.5	75.0	60.8		372.8	1769	197	11.1
October.....	166.9	113.1	78.3	52.6		370.1	1790	196	10.9
November.....	162.3	116.9	84.3†	50.4†		366.3	1789	197	11.0
December.....	156.3	115.7	96.9	36.7		379.7	1843	207	11.2
1929:									
January.....	153.7	121.9	90.2	49.8		363.9	1846	202	10.9
February.....	150.5	113.4	74.7	57.0		353.6	1814	190	10.5
March.....	152.6	114.0	76.1	56.2		356.4	1777	188	10.6
April.....	155.7	116.8	79.3	55.3		360.4	1781	192	10.8
May.....	161.5	109.6	67.8	59.6		361.9	1770	192	10.8
June.....	162.9	115.8	72.4	61.3		361.7	1808	196	10.8
July.....	152.1	116.3	91.3	43.2		368.9	1816	193	10.6
August.....	139.5	115.3	103.0	30.4		369.1	1796	192	10.7
September.....	136.3	115.8	101.4	32.7		363.5	1792	195	10.9
October.....	132.1	112.8	99.2	31.4		360.7	1802	193	10.7
November.....	133.3	112.1	93.1	36.8		356.5	1789	190	10.6
December.....	139.6	107.6	95.3	30.2		369.4	1811	205	11.3

¹ The figures include a small amount of silver coin in the Banking Dept.

² The amalgamation of currency and Bank of England note issues (Nov. 22, 1928) rendered previous figures of Securities and Reserve income comparable with those succeeding.

Period	Index of Production ¹ (1924 = 100)	Coal Output (millions of tons)	Fig Iron		Steel Production (thousands of tons)	Shipbuilding Tonnage Begun (thousands of tons)	Percentage of Insured Persons Unemployed	Net Imports (£ millions)	British Exports (£ millions)
			Production (thousands of tons)	Number of Furnaces in Blast					
1928: January....	..	21.5	561	148	626	..	10.7	90.1	59.7
February....	..	20.7	551	148	764	..	10.4	87.2	57.2
March.....	..	22.1	593	150	793	..	9.5	99.2	65.0
1st Quarter.	105.7	64.3	1,705	..	2,183	342	..	276.5	181.9
April.....	..	18.2	563	149	644	..	9.5	85.8	55.3
May.....	..	19.7	592	148	753	..	9.8	87.6	58.6
June.....	..	19.0	564	141	709	..	10.7	87.9	59.5
2nd Quarter	103.7	56.9	1,719	..	2,106	279	..	261.3	173.4
July.....	..	18.1	538	131	667	..	11.6	87.0	60.9
August....	..	18.4	519	130	648	..	11.5	88.9	62.2
September .	..	18.9	504	131	719	..	11.3	80.8	56.6
3rd Quarter	95.4	55.4	1,561	..	2,034	245	..	256.7	179.7
October....	..	21.1	544	136	756	..	11.7	93.8	64.3
November..	..	20.6	544	135	762	..	12.1	96.0	63.8
December..	..	19.5	540	132	683	..	11.1	92.4	60.4
4th Quarter	105.2	61.2	1,628	..	2,201	432	..	282.2	188.5
1929: January....	..	22.4	564	139	765	..	12.2	106.3	66.9
February....	..	21.1	520	140	775	..	12.1	81.0	55.7
March.....	..	22.6	590	145	860	..	10.0	88.6	58.6
1st Quarter.	108.3	66.1	1,674	..	2,400	362	..	275.9	181.2
April.....	..	20.9	611	152	809	..	9.8	93.8	60.2
May.....	..	20.7	655	159	844	..	9.7	93.0	67.4
June.....	..	19.9	658	165	831	..	9.6	81.9	49.9
2nd Quarter	111.0	61.5	1,924	..	2,484	428	..	268.7	177.5
July.....	..	21.1	672	167	805	..	9.7	85.6	66.5
August....	..	20.5	682	170	753	..	9.9	92.0	63.0
September .	..	20.9	665	168	848	..	10.0	91.6	55.1
3rd Quarter	108.2	62.5	2,019	..	2,406	360	..	269.2	184.6
October....	..	23.0	689	166	890	..	10.4	101.1	64.6
November..	..	22.3	631	163	815	..	11.0	100.0	63.1
December..	..	21.4	643	162	661	..	11.1	98.6	58.4
4th Quarter	115.0	66.7	1,963	..	2,366	499	..	299.7	186.1

¹ London and Cambridge Economic Service.

GERMANY'S DEPENDENCE ON CAPITAL¹

Report of Mr. Franz von Mendelssohn, of Mendelssohn and Company,
Bankers, Berlin

MY LAST report to the National Industrial Conference Board regarding the economic position of Germany in the first half of 1929 showed that Germany was in a period of declining business activity. The second half of the year shows in this respect no turn for the better. On the contrary, the elements of stress, which existed in German economy, have in part become more acute and have led to a depression in many branches of business. The reason for this does not lie in the decline of production which on the whole was maintained on the level of the preceding year. Towards the end of the year, however, even in this field certain signs of contraction became visible. The steadiness of the German business in the first part of the year was due to the relatively favorable development of the industries turning out producers' goods—a phenomenon which stood in close connection with the increasing demand for fixed capital on the part of those countries which are among the important purchasers of German products—in the second half of the year even this branch of industry showed signs of faltering under the influence of unfavorable business developments in a great number of these countries, while, on the other hand, it was not possible to put an end to the stagnation of the industries producing consumers' goods.

The reason for the business recession is to be sought primarily in the marked uncertainty regarding the future prospects of German business creating a psychological depression which operated to cripple to a certain degree the spirit of enterprise. A great number of enterprises, among them also some reputable and under normal conditions financially secure establishments, failed—a phenomenon which, as is well known, was not confined to Germany alone. The number of failures and receiverships reached a level not attained since the crisis of 1926. The degree of liquidity of the enterprises became diminished, and numerous establish-

¹Translated by the National Industrial Conference Board.

ments were able only through utmost exertion to keep themselves above water. No doubt this uncertainty was also partly caused by the uncertainty regarding the outcome of the Reparation Conference. It is to be hoped that, from the psychologic point of view, the strain will be somewhat relieved when the situation is finally clarified in regard to this vital question affecting German business. Of course, exaggerated hopes should not be built on this, because the burden of the obligations undertaken by Germany gives no ground for excessive optimism regarding the future development of affairs.

In its last Quarterly Report, of November, 1929, the *Institut für Konjunkturforschung* expressed the opinion that German business could not be far from entering a period of depression, of a character which in its further development fosters a new business recovery. It has been held that the Spring of 1930 may be designated as the possible period when these tendencies towards recovery will manifest themselves.

The fulfillment of this forecast will depend on a number of circumstances, one of these being the possibility of relieving the pressing need for capital which ranks first as the determining factor in the difficulties of German economy. In view of Germany's dependence for capital on foreign countries, this question can be answered only by considering the development of international financial markets. No doubt, the liquidation on the American Stock Exchanges has relieved the tension on these markets, but it remains to be seen whether this relief will result in freeing sufficient sums for investment purposes in Germany. Up to the end of the preceding year, no sums worth mentioning have gone to Germany. The decline in interest rates, observed internationally, which places Germany in a favorable position as a field for investments in view of the still comparatively high interest rates prevailing in Germany, has continued during the current year. This may cause long-term capital to flow into Germany in large volume. The newly concluded loan of the Siemens Corporation seems to indicate that foreign countries, with abundant capital supplies, are again showing increasing interest in German investments.

Two factors are of special significance for the further

development of affairs. First of all, a factor of great importance will be the effect on the international markets of the forthcoming French-German mobilization loans. Will international savings be available in sufficient volume to cover the gigantic loans and furthermore to provide sufficient funds for private investment purposes? But even more important is the development of business in foreign countries generally. Germany finds herself here in a peculiar position. When business activity in foreign countries with abundant capital supplies is increasing, the possibilities for exporting German goods will increase, but, on the other hand, capital which otherwise would be used to finance German industry will be invested in the countries themselves. In the opposite case, Germany will be able to obtain foreign loans, for in view of business depression funds cannot be profitably invested in foreign countries, but will find it difficult to increase her exports. At present, it seems as if the latter is taking place. This development is without doubt very unsatisfactory for the rehabilitation of the German balance of payments which in the long run is necessary. While up to this time the deficit in her international payments, caused by her payments on account of reparations, interest and amortization of private loans as well as import surpluses, Germany was able to cover only through imports of capital, the fact must be kept in mind that in the long run this process has definite limits and an economically sound settlement can be obtained only through a surplus of visible and invisible items in the balance of payments. The last year resulted in a 50,000,000 reich-marks' surplus of visible exports over visible imports, a sum which, in view of the heavy burdens placed on Germany, is not of much importance although it no doubt represents a material improvement in comparison with the billion-reichs-marks import surplus of the preceding year. It is also to be taken into consideration that the trade balance of 1929 was brought about by circumstances which may not repeat themselves in the same combination; namely, by the purchasing ability of foreign markets and by the stagnation of domestic markets which forced Germany to increase her exports even at unfavorable prices in order to maintain the operation of German establishments.

For the purpose of bridging over especially pressing conditions of distress, as was the case in previous years, it is no doubt necessary and proper to balance imports and exports by means of foreign loans. However, after a certain stabilization of affairs is accomplished and, particularly, after the situation in regard to German political obligations is made clear, it must be considered urgently necessary for Germany to take energetic steps to balance her trade out of her own resources. This can be best accomplished through increased exports. In view of the limits which are placed on such an increase in exports by foreign countries through tariffs and similar barriers to trade, and in view of her extraordinary political obligations to make payments, Germany cannot be blamed if she on her part also makes an effort to dispense with imports of goods which she does not need. Such an attempt corresponds completely with the policy of an honorable debtor, the more so since rather harsh limits are set against him. Germany will not be able to do without her imports of raw materials which are necessary to keep her industries running. This results in a large and increasing amount of goods which Germany must buy from abroad. This is true also, but to a less degree, so far as the reduction in German imports of foodstuffs is concerned. The last year has shown that, as a result of a favorable domestic harvest, a substantial reduction of several hundreds of millions of reichsmarks in grain imports which Germany must buy abroad could be made. As far as manufactured foodstuffs are concerned, especially dairy products, the German trade balance is burdened with large sums which could no doubt be saved by more intensive domestic production. Especially striking is the contrast between Germany's poverty and the import of foreign finished manufactures which are not indispensable and which in greater part could be produced in Germany. It does not correspond with the traditions of German trade policy to decide definitely against imports of foreign commodities. The Germans are well known for their readiness to purchase foreign goods, and this tendency is understandable and worthy of approval in the interest of cultural exchange if by means of it the status and freedom of national economy are not prejudiced. The moment that

Germany becomes free from debts and has once more at her disposal a surplus of capital available for investment abroad, as was the case before the war, there will be no ground for opposition to a passive trade balance on merchandise account even if it is brought about through imports of goods which are not considered indispensable.

One can only urgently desire and hope for a return of such a state of affairs in Germany. During the next decades the prospects are extremely slight indeed. Even if we start with the proposition that Germany's trade on merchandise account is balanced and perhaps shows even a small export surplus which is supplemented by export surpluses on account of services rendered to foreign countries, the fact remains that Germany is burdened with reparation payments of two billion reichsmarks and net interest payments of almost one billion reichsmarks. For these sums there is no cover, except possibly either through acquisition of German plants by foreigners or through foreign loans to German enterprises. The second half of the year 1929 showed various instances of the first method which Germany cannot always regard without certain concern. Without doubt the acquisition of German plants by foreigners or their participation in the management of these plants through purchase of stock means an increase in international capital relations and, as I see it, a strengthening of the interest on the part of foreign economic circles in the prosperity of German enterprises. Aside from this, these instances involve considerable flow of capital to German enterprises, and consequently to the entire German economy, which is to be welcomed especially when with the help of these funds an increase in exports can be accomplished through the possibility of long-term financing. In this case, over and above interest payments of foreign capital, the bills of exchange arising out of export business will yield sums which will be most helpful for the German balance of payments. The cause for concern lies in the possibility that those foreign shareholders, who in part compete in the world markets with the German companies in which they own stock, will attempt, through their participation in the management of German enterprises, to influence their business policy in a sense not consistent with the interests of

our national economy as a whole. That there are dangers, I do not venture to doubt, although I rely upon the sound judgment of foreign capital investors not to do anything from which in the long run they also would derive no profit. In a fundamentally free economy, it is not a profitable business to eliminate competitors by making use of large capital funds. International monopolies are possible only in raw materials and even in this case only in a limited degree, but not in the field in which lies the strength of German economy, that is, in the industries producing finished goods. If here an enterprise closes down, ten new ones take its place which will attempt through sharp competition to assert themselves. In my previous report, I indicated that the calm and practicable sense of American business men will not even consider the idea of eliminating and gradually driving out of the market somewhat troublesome German competitors through financial control, for such an attempt would be profitless and hopeless.

The problem of German capital supply, however, cannot be solved only by means of penetration of foreign countries into German enterprises. During the next few years, according to all indications, it will be necessary to balance Germany's international payments through further issue of loans abroad. While last year, nine-tenths of foreign funds, which helped to equalize German incoming and outgoing payments, were in the form of short-term loans, this development without question represents a great danger for Germany because it can become a menace to the German money market when, as a result of extraordinary circumstances, a strong money tension develops in foreign countries. The past year has shown that this danger should not be considered simply as a matter of theory but that it has real consequences when short-time funds invested in Germany are suddenly recalled in order to seek what temporarily appears a profitable field of investment. It is to be hoped that with the increasing consolidation of world economy the willingness to invest savings in long-term securities will become greater. The mutual interest of the individual countries in the prosperity of other nations will thus be promoted—a development which is to be urgently desired on the part of the creditor as well as the debtor countries.

THE COTTON INDUSTRY OF FRANCE¹

Report of Professor André Siegfried, L'École Libre des Sciences
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THE cotton industry of France is fourth largest in the world for spinning and fifth largest for weaving. On January 31, 1929, France had 9,981,000 spindles out of 165 million spindles existing in the world, or 5.9% of the total; she comes after England, which possesses 57,748,000 spindles, the United States with 35,335,000, and Germany with 11,155,000 spindles. French spinning accounts for 192,600 looms of a world total of 3,278,000 looms, or 5.8%. She is preceded by England (754,940 looms), the United States (747,380), Russia (312,000), and Germany (250,000). France holds third place in the world in printing machines, with 285 machines, as compared with 1,100 in England and 386 machines in the United States.

The French cotton industry is distinguished by certain general qualities which give it a special character. The first of these traits, in common with all European countries, is a complete dependence upon foreign sources of raw material. It is then necessary to take note of the preponderant rôle of machinery in cotton production. In this respect, too, France resembles the principal cotton countries of the present day. But what is peculiarly characteristic of the French cotton industry is the infinite variety of the manufactured products, and in general, the predominance of the medium-sized mills.

Important in the world, even though in a secondary place, the cotton industry, considering French industry in its entirety, occupies a most important position among the industries of France, even though its contribution to the total of our exports is only 6.9%. But it will be seen later that exportation is not a measure of its true place, for, like many French industries, it is not principally an export industry.

¹Translated by the National Industrial Conference Board.

GEOGRAPHIC AND ECONOMIC CONDITIONS OF THE COTTON
INDUSTRY

The cotton industry of France must be divided into three parts: spinning, weaving, and finishing, the latter being divided into bleaching, dyeing and printing.

Geographically, the industry comprises five principal and several secondary regions, particularly in the specialties, which are as follows:

1. The *Northern Group*, situated at Lille and its environs, especially at Robaix, Tourcoing and Armentières.

2. The *Eastern Group*, at Epinal and in the valleys surrounded by the Vosges, as well as in and around Belfort.

3. The *Alsatian Group*, concentrated at Mulhouse and environs as well as in the valleys of the Vosges on the Alsatian side.

4. The *Normandy Group*, developed around Rouen and the valleys which converge around it, as well as in the valleys of the Eure, of the Calvados and the Orne.

5. The *Central Group*, situated at Thizy and Roanne.

As for the *secondary groups*, they are found chiefly at Cholet (Maine-et-Loire), at Mayenne (Mayenne) and at Saint-Quentin (Aisne).

This gives a background for a more detailed examination of the geographic distribution, from the viewpoint of spinning, weaving and printing.

The geographic distribution of spindles in 1929 shows 2,952,000 spindles in the North (30% of the total); 3,168,000 spindles in the East (32% of the total); 1,830,000 spindles in Alsace (18% of the total); 1,460,000 spindles in Normandy and the West (15% of the total). These spindles comprise almost 95% of the entire number. Thus the North and the East must be looked upon as the regions in France where spinning is the most fully developed.

Weaving is distributed geographically as follows: 77,400 looms in the East (40% of the total); 40,600 in Alsace (26% of the total); 34,800 looms in Normandy and the West (18% of the total); 24,800 in the region of the Loire and Rhone (13% of the total). These figures account for more than 95% of the total. It is necessary to note that,

especially in the North, this total number of looms includes also 8,100 hand-loom, which are not, as might be believed, a relic of the past, retained by the habits of a people who have not advanced, but a superior tool, regarded and desired as such, of the artistic French production.

The geographic distribution of printing shows that, of 285 printing machines, Alsace possesses 54%, Normandy 22% and the East 12%.

The conclusions naturally drawn from these figures are that the North is predominantly a spinning section, the East, Alsace and Normandy are both spinners and weavers, while Alsace is chiefly a printing region.

The personnel of the cotton industry, including the bleaching and dyeing branches, is composed of 230,000 workers, of whom 63% are women, though in printing they are only one-third of the personnel.

It is to be noted that in France the cotton industry has suffered and still suffers from a chronic lack of labor, but one will observe the relatively small number of workers for an output of considerable magnitude—a phenomenon which reveals the marked development of machinery and great production per worker. This personnel, moreover, is of a character which varies considerably according to the different regions: it is rural and scattered in the East (Vosges, Belfort); it is congregated and industrial at Mulhouse, at Lille, Roubaix, Tourcoing, Rouen; finally, it is composed of small artisans scattered and working at home in the region of the Orne, as well as in the region of the Roanne.

In spite of these characteristics which suggest an industry of other days, the cotton production of France must be considered as strongly developed from the viewpoint of the degree of concentration and perfection of machinery. The French cotton machines are in general remarkable even though in certain respects relatively old. But here the war has produced consequences of tremendous importance which in the end were not wholly bad for the country. Forty per cent of the spindles and 15% of the looms had to be rebuilt in the Northern region because they were destroyed during the German invasion. This destruction which, at the same time, caused the ruin of about ten French departments,

forced France after the war to renovate entirely her stock of tools, in such a way that this part of the country today possesses a mechanical equipment which is classed among the finest in the world.

As regards industrial concentration, the principal characteristic of the French cotton industry is that it is composed largely of medium-sized establishments. There are in France 600 spinning and weaving companies; the mills have, in general, a capacity of 30,000 spindles and 600 looms. It is important to observe, however, that a growing movement is leading these companies to unite their spinning and weaving mills. The spindles in the hands of spinner-weavers are now almost 40% of the total and the looms more than 45% of the total. The desire, the necessity of avoiding the very heavy turnover tax is one of the reasons contributing to this combination movement, for if the spinner does also the weaving, the tax is not payable, while, in the contrary case, it adds a very heavy burden to production costs.

While the spinning and weaving establishments are not in general very large, bleaching on the other hand is concentrated in very large firms. There are not more than twenty bleaching establishments in France.

The most frequent legal type in the cotton industry of France is the company *en nom collectif*. There is even a very large number of incorporated companies. But, in a general way, whatever the type of organization, these companies really represent the former individual enterprises which conserve for a long time, even under the new legal form, the spirit and character of an enterprise owned by an individual or by a family. In the case of a majority of these companies in France, including even the incorporated companies, it is possible to put a family name behind a spinning mill. This aspect of the question should not be ignored, for it explains the individual and often harmful character of the French ownership in the cotton industry.

RAW MATERIAL

It is known that the world production of raw cotton rose in 1927-1928 to 24,834,000 bales. Of this amount, 12,956,000

bales were produced in the United States; 5,871,000 bales in India and 1,219,000 bales in Egypt. In the same year, the world consumption of raw cotton rose to 24,448,000 bales, 7,835,000 bales being used in the United States; 3,020,000 bales in England; 2,248,000 bales in Germany; 2,659,000 bales in Japan; 2,417,000 bales in India; and 1,032,000 bales in France.

Naturally the true importance of the industry is indicated less by the volume of consumption than by the quality used: Japan and the United States use more coarse cotton; England, more fine and light cotton.

If we compare present consumption with the quantity of cotton consumed before the war, taking the year 1912-1913 as a base of 100, we see that in 1926 the index of the raw cotton consumption for France is 100.4; for Germany, 82.6; for England, 72.9; for the United States 121.1, and for Japan, 184. France has recovered her former volume of business; England and Germany remain below the pre-war level, while the United States and Japan have each progressed enormously.

The number of bales consumed per thousand spindles also throws interesting light on the nature of industrial production in different countries. In 1927-1928, the consumption in France was 121.60 bales per one thousand spindles, while the corresponding figure for the United States was 188.23; for England 52.88; for Japan 435.64, and for China 577.19.

Let us see now from what countries France imports her raw cotton on the basis of 1927-1928 figures. The greater portion of our imports (by weight), or 58.6%, comes from the United States; 13.5% comes from India; 11.6% from Egypt; 1.3% from the French colonies, and 15% is imported from various other countries, such as Turkey, Brazil, Peru, Argentina, etc. It may be noted that 2,400,000 spindles in France, about one-fourth of the whole number, spin Egyptian cotton. If we consider the same imports in bales, we find that in 1928, of an importation of 1,140,000 bales, 850,000 came from the United States, 170,000 from India and 100,000 from Egypt.

More than three-quarters of the raw cotton imported into France comes through Havre. The ports of Dunkerque and of Marseilles come next, as of equal importance, but at a

much lower level as compared with the port of Havre. Before the war, almost all the importing was done by French importing merchants, but since the war, the practice of buying their cotton direct from the United States has been taking hold among the spinning houses. Today almost half the imports are made in this way, owing largely to the distressed money situation following the war.

The conditions under which the French cotton industry is supplied with raw materials must not be regarded as entirely free of peril. The danger in this respect arises particularly from the fact that the world's equipment in spindles has increased by about one-third in the last twenty years. The cotton producing countries, which formerly exported their raw cotton, have a tendency to become industrialized—industrialized on a large scale. The principal exporting countries are tending therefore to consume, themselves, a growing portion of their raw cotton. Thus, without considering Egypt, the United States, India and China, which produced in 1927–1928, 83% of the world's raw cotton, themselves consumed 42%. Under such circumstances, the former balance on which the European cotton industry was established is in danger of being shaken: the supplying country retaining its product for itself, the importer's difficulty in obtaining this same product becomes a source of grave concern. Shortly after the war, however, this danger has perhaps been exaggerated. In regard to the United States, for example, as a producer of cotton, it is necessary to take into account the enormous possibilities of the production of cotton in the Southern States and the fact that American consumption has not increased in the same proportion as production.

The fear of being faced with a shortage of this raw material has for a long time developed an effort towards the production of cotton in the colonial empires of the European nations. This endeavor has been pursued chiefly by England, but also by France, especially in her African colonies. It should be observed, nevertheless, that these efforts enlist the good will and attention of all when cotton is rare and expensive. However, when there is a good harvest and a decline in prices, there is also a diminution of interest in the production of colonial cotton.

Americans have a long experience in the cultivation of cotton, and it is too often believed in Europe that it is sufficient to lay out cotton plantations to obtain satisfactory results. Experience proves, on the contrary, that cotton culture is very difficult, demanding technical, climatic and economic conditions which are rarely found united. At present, dry cultivation of cotton without artificial irrigation in the French colonial empire is the pursuit of half-savage populations. But irrigated cultivation requires capital and European management. France possesses colonies which would lend themselves very readily to this cultivation: Algeria, French West Africa and Indo-China. The great difficulty is the scientific selection of the species. It is a program which is not above the science of our experts. The greatest obstacle, however, appears to arise from the labor force.

Cotton cultivation requires many hands, and the population of Africa is wanting in density. It is also wanting in stability to such a degree that the greatest effort is put forth either to settle the nomads permanently or by a medical policy to maintain them in a hygienic condition which would allow them to produce an effective crop.

Furthermore, in the United States, cotton raising has at its disposal a first class banking organization and a remarkably well-developed transportation system. In the colonies, whenever transportation can be done over water, it is satisfactorily accomplished, but on land its price is frequently prohibitive. Furthermore, the banking system in the colonies, for financing the producers and advancing loans to the native for his harvesting and tools, can not naturally be compared to the magnificent American set up. Finally, if cotton production is to pay, the producer must be assured of a market, for a large quantity and with regularity, without which production is not stimulated and can not be steadily carried on from one year to the next.

Owing to the efforts of the Colonial Cotton Association and, also, to the very intelligent efforts of certain of our colonial governors, especially in West Africa, it can be said that the period of technical experimentation is practically at an end. However, the commercial aspect of the problem remains yet to be solved, and under the present conditions, the

percentage of colonial cotton consumed in France remains, as we have seen, extremely small.

THE MARKETS FOR THE FRENCH COTTON INDUSTRY

The French cotton industry may be looked upon primarily as an industry for the domestic market. In 1928, the percentage of production exported rose to 9% for spun goods and 20% for woven, of which more than half went to the French colonial market. Thus in reality the French industry depends only to a small extent on strictly foreign customers. There is a very important comparison suggested here when one considers that the British textile industry exports, in both good and bad years, from 75% to 80% of its production. The same contrast is seen in comparing the French cotton industry with the silk industry in France, the latter exporting every year one-half and often three-quarters of its output.

We thus reach the conclusion that the essential characteristics are the dominance of the home market as an outlet for French cotton production and the very great importance of the colonies in foreign markets. These are the two aspects which it is important to keep in mind if one wishes to know and understand the psychology of the French cotton manufacturer.

The effect of these characteristics upon the nature and tendencies of the cotton industry of France is considerable. First of all, the home market, protected by the tariff, is on the whole rather small, since France has only 40 million inhabitants. The domestic consumers require a great variety of goods: it is therefore impossible to produce a small number of articles, manufactured on a large scale in conformance with the methods of standardization. The effect of these conditions naturally is to increase production costs, and the production of cheap goods is not possible. The French cotton industry therefore needs tariff protection and must, furthermore, specialize more or less in quality production, to which the disadvantages indicated above do not apply with full force.

In this respect, France scarcely resembles England. The latter, owing to her traditional world markets, which sup-

ported her during the nineteenth century and until the war of 1914, has been able to carry on business with numerous and little diversified customers, the character of which permitted large-scale production by reducing the number of specialties. England, because of this, has had lower production costs and a mass production which France does not possess. Although for England, certain of these circumstances belong henceforth to the past, the contrast between the character of the industry in France and in England remains marked. What distinguishes our country is that the producers work behind a tariff wall and that they compete among themselves within that barrier to the end that prices still have an ultimate tendency to move downward.

French exportation feels the effect of this. Certain obstacles seriously hamper the growth of French cotton exports; first, the price of raw cotton imported into France is charged with a tax in the form of higher freight rates, and, second, by a greater increase in the price of textile machinery. It should be added that certain countries, such as England, have an older tradition than France in the cotton industry.

However, France has a conspicuous need for exporting her cotton products, for reasons which the events of the last few years have only fortified. The means of French production of textiles have been increased by the war; the return to France of Alsace and of Lorraine has notably increased our equipment in cotton spindles, that is, by about 1,800,000. Further, as has been said, the French output has been increased by the improvement of our industrial methods and by the fact that, since ten Northern departments having been devastated by the invasion, we have been obliged, whether or not we wished it, to renew a considerable proportion of our cotton-making machinery. The result is that we have a greater surplus of exportable goods than before. To cite a typical example, let us recall that before 1914, Alsace, producer of spun cotton, sold its goods in Germany. Today, Alsace is incorporated into French territory. The French negotiators of the Treaty of Versailles clearly foresaw this difficulty and specified that, up to 1925, the cotton products of Alsace were to enjoy the benefit of the franchise as a privilege in the German market. But this special advantage,

which was limited in time to the end of 1925, was not renewed, and under the new conditions the Alsatian production flowed back into the French market. The result of all these circumstances is that we are exporters to a greater degree than before the war.

Let us study first our exports of cotton yarn. We already know that its volume is minimal in comparison with the production. Cotton yarn is in reality a semi-finished product used in weaving, and in a country where weaving is as important as in France it is conceivable that the amount exported would not be large. The destination of our cotton yarn exports is interesting to analyze. More than three-quarters of these exports (75% to 80%) go to Central and Western Europe, 43% going to Germany alone (1928). The exportation to the French colonies, on the contrary, may be called non-existent, not amounting to above 5.5% of the total. This, however, is easily explained by the fact that the French colonies, still at an inferior stage of economic evolution, scarcely permit of any cotton industries. It is thus necessary to keep in mind, in regard to our exports of cotton yarn, the importance of the German market. Accordingly, as Germany buys or does not buy, continues or discontinues purchases of cotton yarn in large quantities, the French exports will be considerably affected.

As for the exportation of our woven cotton, we have already seen that it represents a percentage of our production of some, if not very great, importance. One-half goes to the colonies and one-half to foreign countries.

In 1928, exports to the colonies amounted to exactly 49.3% of the total, going principally to the following countries, in order of their importance: Algeria, Indo-China, Tunisia, West Africa and Morocco. The exportation to foreign countries has been only slightly more important, as it amounted to 50.7% of the total in 1928, and was sent to the following countries in order of their importance: Germany, Czechoslovakia, Belgium, England, Argentina, the United States.

If we consider now the quality and nature of the articles exported, we should state first of all that the relative place of cotton yarn in our total exportation is not very important: in weight, it constituted, in 1928, 24.4% of the exports and in

value, 18.6%. The principal place then belongs to woven cotton: in weight, 75.6% of our exports in 1928 and in value, 81.4%. The quality of cotton yarn exported merits some consideration here: the fine qualities were sold to the United States, Serbia, Poland, Switzerland; the more ordinary qualities to Germany, the Netherlands, Belgium. More interesting still, is the analysis of the quality of woven goods exported: the superior qualities were absorbed by the United States, England (probably in large part for re-export), Canada, Argentina, Brazil; the inferior qualities were purchased by Germany, Switzerland, and the colonies.

It may be noted that the more finished or perfected the article, the more readily it lends itself in France to exportation. This statement applies particularly to the foreign market, the colonial market, as we have just said, granting a customs privilege to French exports. It is to be observed, moreover, that the fine quality products are bought principally by extra-European nations, inhabited by the white race, which became most prosperous during the course of the last few years. It may be said that France has three classes of customers: a clientele for rich materials in the white, extra-European countries; for average products in Europe; and for ordinary goods in her own colonial empire. The articles exported to this last group are woven goods, unbleached, bleached, and dyed; muslins, printed goods, bed clothes.

It would not be amiss to lay stress again upon the colonial market whose importance, for French industry, should not be neglected. Before 1914, we had acquired an important place in this market. But, during the war, various factors prevented our continuing our exportation: our diminished production, the needs of the national market, and the prohibitive freight rates which our transportation was obliged to pay. On this account, during the hostilities, our competitors, English, Italian, Japanese, American, established themselves in our colonial markets with unfortunate effect upon our exportation. Since then, we have begun to recover our place in this market, where the French opinion believes that we are to have a privileged position. Indeed, under our colonial customs system there exists a tariff union between France and a certain number of our colonies, called "assimi-

lated colonies" ("colonies assimilées"). These colonies absorb almost four-fifths of our colonial export. This fact emphasizes the importance of the tariff system for French manufacturing in an industry like the one under present discussion.

The colonies which are more or less international through diplomatic treaties or those which are administered by France under mandate, do not approach in value to French industry the profits yielded by the colonies in the tariff union. This explains why French industry adheres to a protective system, and why, especially, it figures among the most decided supporters of our old colonial tariff system.

The recent world development, especially in regard to the development of the cotton industry in different countries, is likely to provoke serious dangers for our trade. The cotton industry of France is highly diversified: it sells in a number of different countries a very great variety of articles. On this account, economic nationalism and protectionism are obvious dangers for us. The fact that an increasing number of young countries are building equipment for the cotton industry, the fact that these same countries are by a sort of logic, drawn to protectionism, can not fail to have perilous consequences for France. We can extricate ourselves only by specializing somehow more and more in the well-made article, delicate, ultra-technical which no one could make as well in our place. We can still maintain our exports to the colonies, due to the benefits of the customs system, which considers the French colonial empire simply as a part of the general territory of the nation.

It is interesting here to study Germany in particular relation to this subject. As a consequence of the war of 1870, which deprived us of Alsace and Lorraine, a break in the traditional balance introduced itself; Alsace, a cotton province, had adapted herself to the German market and had contracted the habit of looking upon it as an essential outlet for herself. But France, deprived of Alsace, had largely replaced, especially in the Vosges and in large part due to the initiative of the Alsatians themselves, the finishing, spinning and weaving mills, lost by the annexation of the two provinces to the German empire. This arrangement, which was

continued for almost fifty years, is not justified by the circumstances today, since by the Treaty of Versailles, Alsace brings back to us an equipment of some potentiality, especially in printing machines. This is the reason, already pointed out by us, which forces France to increase her export trade.

The experience of the years which have passed since 1925, that is to say, since the tariff system giving preference to the Alsatian products in Germany has come to an end, shows that the former exports from Alsace to Germany, while they have diminished, have not ceased altogether. In 1925 and 1926 there was a marked reduction in Alsatian exports of cotton yarns to Germany, although the depreciation of the franc at this period tended to favor our sales abroad. In 1927, the German importation of cotton yarns began fairly well to recover, but there is nothing permanent in it, and one can say that on this point the future remains on the whole uncertain: in general, Alsace must remain an exporter.

Let us try now to glance in review at the character and future of the French cotton export trade. It is known that, in a general way, the French have not an export mind: they prefer whenever they can to sell in the national market. The French cotton industry does not escape this attitude completely, but it is, however, an exporter, with the reservation always that the colonial market holds an important position in its plans. There are, however, certain regions engaged in this industry which have a natural bent toward exportation, such as Roanne, the North and Alsace. Furthermore, everybody in France recognizes the value of creating a steady movement of sales to foreign countries.

Whatever may be the dangers of overproduction apparent at present in the world, it is nevertheless probable that the demand for cotton will never cease to exist. A rapid growth of civilization is manifesting itself among the primitive peoples, and the first effect of the goods brought by western civilization to almost savage peoples is the development of a need for cotton materials. In this respect, the French colonial market evidently will not cease to be important and capable of absorbing large quantities. Further, there is manifestly in the world a growing demand for fine products

in general in all rich countries, and in particular in the new white European countries which have developed considerably in one generation.

The strength of France in export trade at the present time arises, perhaps, precisely from the unusual misfortunes which have been striking it for fifteen years. By the devastation of the Northern provinces France was compelled to reconstruct its factories entirely, and since she was obliged to put in new equipment from the very bottom, it was natural that she should seek a complete reconstruction in conformance with the latest methods of technical progress. Under these conditions, the French industry, at least to an important degree, must be counted as one of the best equipped in the world and one of the best prepared to succeed, especially in finished, high-quality products.

THE FRENCH COTTON INDUSTRY IN VIEW OF THE PRESENT CRISIS

These facts have not prevented France from suffering from the general world crisis in the cotton industry of the past several years. For about two years there have been certain undeniable signs of the crisis in the French cotton industry. There is a depressed situation in business, with low sale prices which barely cover production costs. If many companies have maintained operations, it is largely in order not to lay off their labor. Assuredly, this situation in the cotton industry is not peculiar to France and is to be seen in most of the countries in the world.

The causes which determine it are perhaps no longer peculiar to France, but they merit at least being recalled here. There is, first, the success of artificial silk and the competition which it constantly offers to cotton yarns in the manufacture of materials of cotton and silk mixtures, in hosiery, in upholstery fabrics or even in the weaving of cotton. There is, further more, the considerable increase in the spinning of cotton in the world since the war, owing to the expansion of machinery, which we pointed out before, inasmuch as, since 1913, the number of spindles in the world has been increased by 15%. There is finally (and here the crisis is in part due to

the technical improvements which France has effected since the war) the substitution for spinning looms of continuous looms the output of which is one-third greater. Mention must be made at the same time of the general prevalence in the world of the double-shift system, especially in certain very thickly populated countries, for example, Central Europe. Under such conditions, France, producing more, particularly at a time when the world itself is increasing its production of cotton yarns, is faced with a surplus of which it can not easily dispose.

Finally, there is the profound change effected upon the markets of the world by the post-war monetary disturbances. The depreciation of the French currency immediately after the Armistice was tantamount to a bonus to production and exportation. Today, the stabilization of the franc constitutes a difficulty well understood by all the countries who have performed this stabilization, and which renders business more difficult. One can say only that the French crisis is acute, particularly in woven goods. It is a question rather of readjustment, of a return to more normal conditions, which may be considered as one of the aspects of the general settlement after the war.

GENERAL CONCLUSION

It is important, in concluding, to recall that the French cotton industry has, on the whole, remained largely a family industry, if not always in legal name, at least in fact and character. It is characterized by marked competition between its numerous owners, and thus, logically, by a reduction of the margin of profit.

It should be added further that our French machinery has been designed principally for the use of American cotton. Therefore, we remain largely dependent upon American production and exportation and, in so far as we undertake to raise cotton in our colonies, it is still American cotton that we must seek to produce.

Our cotton industry is, moreover, a machine industry: it is thoroughly mechanized and often with the very latest known improvements. However, it is also—and perhaps to

an increasing degree—an industry of fashion, requiring on the part of owners and, we can say, their employees, constant invention and a constant change in design and manufacture. In consequence, and this is particularly interesting to point out to the American public, standardization by machine can not be developed indefinitely. By diminishing excessively the number of styles manufactured, in order to standardize, the French cotton industry would without doubt destroy one of the reasons for its existence.

Let us conclude by recalling that the domestic market remains here an essential factor and let us recall also that the colonial market, which plays so important a rôle in the French export trade, ought perhaps to be regarded less as a foreign market than as an extension of the domestic market. The variety of our manufactured products is indeed a hindrance to mass production for the international standardized market. The fact that we depend particularly upon the national market and on a market whose tastes are largely diversified, obliges us to continue a manufacture itself diversified. If the tendency then is here towards machine production, towards mechanization, towards industrial rationalization, it is, nevertheless, not towards standardization pure and simple. And thus, the highly personal character of the French industry, inseparable from invention, creation and distinction, remains as marked in her cotton production as in the greater portion of the other productive activities of our country.

Paris
March, 1930

THE PLACE OF MANUFACTURING INDUSTRIES IN ITALIAN ECONOMIC LIFE

Report of Mr. Antonio S. Benni, President, Confederazione Generale
Fascista dell' Industria, Rome

SOME years ago, before the outbreak of the European war, it was customary to classify nations in the scale of economic progress according to their degree of industrialization, and those countries were considered most developed which devoted the highest percentage of their energies and resources to manufacturing activities, while those which were mainly or exclusively agricultural were considered as backward.

But apart from the fact that this classification failed to take into account other economic activities, such as commerce, transports, and credit, it is obvious that the contempt in which agriculture was held, as compared to industry, was largely due to contingent circumstances. The preponderating economic position which the United Kingdom had gradually acquired during the nineteenth century as the result of intensive industrial development, accompanied by the almost complete neglect of agriculture, led to an exaggerated estimate of the importance of manufacturing activities and to the opinion that the wealth and power of a country depended on the degree to which it had developed its industries. Moreover, the comparative simplicity of the methods of production in use on the farm, as compared with the complex and frequently difficult processes employed in manufacturing industries, led to the belief that all nations, even the most backward ones, could raise crops or livestock, but that manufacturing activities were suited only to the more developed nations.

But as agricultural methods improve and as more complex and delicate systems are introduced on the farm, the regard in which agriculture is held is gradually rising. At the same time, the very grave dangers attendant on the disappearance or undue reduction of agricultural activities, no less from the economic and social than from the political standpoint, are becoming ever more apparent.

Moreover, agriculture still is and probably will continue for a long time to be the occupation of the majority of the human race, supplying the food and the more essential raw materials required by civilized man. It is therefore a basic industry which should be viewed with the utmost respect and favor. At the present time, no nation would adopt a program of industrialization entailing loss to its agriculture, and there is a growing recognition of the fact that economic prosperity can only be assured when a country can count on its agriculture no less than on its industries and the subsidiary activities of commerce, transports and banking. At the same time it is admitted that densely populated countries have more need than others to develop manufacturing activities to that full extent which will allow them to utilize to the full their productive power so as to secure the means of support for their people and raise their standard of life.

So if today we were to classify the nations according to the degree of economic development they have attained, preference would certainly not be given to those which have overdeveloped their manufacturing industries but rather to those which have best balanced all their economic activities, and more especially their agriculture and their manufactures.

Italy is one of those which have succeeded in maintaining this desirable balance. It is not highly industrialized, if that expression means that manufactures take precedence over all other forms of productive work. But neither is it agricultural or prevalently agricultural, if this means that industries are practically unknown or are still in the initial stage of development. Italy is both an agricultural and an industrial country, and one also devoting a notable portion of its economic resources to commerce, banking, and transports.

Although the figures given in the accompanying table refer to census returns secured some years ago, still they give a fairly adequate idea of the distribution of the working population between the several occupations, and they show that in Italy industrial workers account for approximately one-fourth of the working population, while agriculture engages the activities of 55%, commerce and transports of 10%, the remaining 10% being divided among the other occupations. The percentage of industrial workers is considerably lower

in Italy than in Great Britain or Germany, but approximates the percentage in France and the United States, and exceeds that registered in Poland, Spain, and Russia.

The percentage of the whole working population engaged in agriculture is higher in Italy than in France, Germany, Great Britain and the United States, but less than in Spain, Poland and Russia, just as the percentage of workers employed in commerce and transports is higher in Italy than in those countries, and lower than in Germany, France, Great Britain and the United States.

But the number of persons engaged in the several branches of economic activity affords only one and not the most significant indication of the relative importance of each in the economic life of a nation. It is still more important to know the contribution which each branch makes to the total national income; a contribution which, generally speaking, is greater per unit of employment in the case of industry than of agriculture. We find indeed in the case of Italy that, while the number employed in agriculture is more than double that engaged in industrial pursuits, the income derived from industry is almost equal to that obtained from agriculture, as is shown by the following table giving estimates of national income calculated by Prof. Corrado Gini in 1925, and by Prof. Giorgio Mortara in 1927. The figures have been converted into dollars at the respective rates of 25 lire and 19 lire per dollar.

ESTIMATE OF PRIVATE ITALIAN INCOME

	1925 Prof. Gini (millions of dollars)	1927 Prof. Mortara (millions of dollars)
Agriculture, forests, stock-breeding and fisheries	1,280	1,578
Manufactures	1,440	1,474
Commerce and banking	440	526
Public employment and liberal professions	440	526
Income from urban real estate	160	158
Other income	240	210
Total	4,000	4,472

While taking into due account the inevitably approximate nature of these estimates, we can safely say that about one-third of the total Italian income is derived from industry, one-third from agriculture, and one-third from other forms of activity.

Another valuable factor for determining the place occupied by industry in the economic life of a country is afforded by the percentage of exports of manufactured products to total exports. In this connection it is interesting to examine the table on page 122, compiled by the statistical office of the General Fascist Confederation of Italian Industries from the official trade figures for years 1926, 1927, 1928 and first 11 months of 1929.

WORKERS CLASSIFIED BY OCCUPATION

Country	Census Year	Agriculture, Forests and Fisheries		Industries		Commerce and Transports		Other Occupations	
		Number	Per Cent of Total	Number	Per Cent of Total	Number	Per Cent of Total	Number	Per Cent of Total
Italy.....	1921	10,264,106	55.7	4,559,582	24.7	1,896,990	10.3	1,710,545	9.3
Germany.....	1925	9,672,426	30.5	13,239,223	41.4	5,273,502	16.5	3,734,149	11.6
France.....	1921	9,031,479	41.6	6,973,318	32.1	3,094,589	14.2	2,621,218	12.1
Great Britain.....	1921	1,501,794	7.8	9,918,542	51.3	4,304,495	22.2	3,632,488	18.7
Poland.....	1921	10,269,867	76.2	1,266,382	9.4	762,636	5.7	1,176,149	8.7
Russia.....	1926	60,696,000	80.5	5,946,000	7.9	2,816,000	3.7	5,941,000	7.9
Spain.....	1910	4,220,518	56.2	1,098,546	14.6	405,978	5.4	1,782,538	23.8
United States....	1920	10,953,158	26.3	13,908,747	33.4	7,812,508	18.8	8,839,835	21.5

These figures show that manufactured products account for two-thirds of Italian exports. But they only afford a first basis for calculating the share in the export trade, belonging respectively to agriculture and manufactures. To get a correct idea we must subtract from the value of industrial exports the value of the raw material contained therein, whether it be of national or foreign origin; and from the value of agricultural exports we must likewise subtract that of the industrial products required in their production (chemical fertilizers, anticryptogamic products, etc.) while adding thereto the value of Italian agricultural raw materials embodied in the figure for industrial products. Net of foreign raw materials, the figures show that Italian agriculture and industry contribute approximately in a like measure to the export trade.

Nevertheless, it should be noted that a considerable part of Italian agricultural products are exported as manufactures; this is not only advantageous to the economic situation of the country as a whole but is more especially advantageous to agriculture.

VALUE OF AGRICULTURAL AND INDUSTRIAL EXPORTS (IN LIRE)

	1926		1927		1928		Eleven Months of 1929	
	Actual Value	Per cent of Total	Actual Value	Per cent of Total	Actual Value	Per cent of Total	Actual Value	Per cent of Total
Products of agriculture, stock-breeding, forests, hunting and fishing:								
Raw.....	4,376,480,586	23.45	3,748,226,474	23.98	3,104,613,222	21.37	2,615,908,602	19.39
Prepared.....	1,704,344,729	9.13	1,543,550,412	9.87	1,446,788,735	9.96	1,539,756,398	11.41
Total.....	6,080,825,315	32.58	5,291,776,886	33.85	4,551,401,957	31.33	4,155,665,000	30.80
Products of Italian industries:								
Manufactured mainly from raw materials of Italian origin.....	4,675,278,406	25.05	3,713,538,124	23.76	3,307,136,244	22.76	3,142,346,647	23.29
Other.....	7,908,415,947	42.37	6,626,633,213	42.39	6,670,599,210	45.91	6,194,228,021	45.91
Total.....	12,583,694,353	67.42	10,340,171,337	66.15	9,977,735,454	68.67	9,336,574,668	69.20
Grand total.....	18,664,519,668	100	15,631,948,223	100	14,529,137,411	100	13,492,239,668	100

This form of collaboration between agriculture and industry is gradually developing and deserves to be encouraged, although it is evident that it cannot be carried beyond the limits set by the national capacity to produce the raw materials required by industry, and by the possibility of selling the manufactured goods on foreign markets which are almost everywhere protected by high customs barriers.

The facts above set forth show that industrial activities occupy a place of prime importance in the economic life of Italy, both as regards the number of persons employed therein (including the technical and clerical staffs not covered by the figures given above) and as regards their contribution to the national income and to the export trade.

The importance of manufacturing industries in supplying the wants of the country is none the less considerable. Italian manufactures can now provide nearly all the goods required by the home market, and while Italy, like other still more highly industrialized countries, imports a considerable quantity of manufactured goods, her exports of such products considerably exceed her imports.

Italy has thus attained a high degree of economic self-sufficiency. We must not, however, lose sight of the fact that she is still dependent on imports for conspicuous quantities of raw materials which her soil and climate and the poverty of her subsoil can not supply. But this is a drawback shared in common with other industrial countries, and it can not be claimed that because a country lacks some raw materials she should be hindered from attaining that degree of industrial development which is essential for providing her population with work and food and helpful in increasing national resources and accelerating its rate of progress. What is important, as we have already stated, is to keep a due balance between the several forms of economic activity.

In Italy, this balance has been preserved to a perhaps higher degree than in any other country, if we take into due account needs and possibilities. And the far-sighted policy of the Fascist régime, inspired and guided by Benito Mussolini, tends to maintain and consolidate this balance by all the means in its power.

THE OUTLOOK FOR INTERNATIONAL TRADE¹

Report of Mr. E. Heldring, President, Royal Netherlands Steamship Company, Amsterdam

THE prospects for the development of international trade in the current year are not very bright. Price-declines in many of the principal raw materials and foodstuffs, such as cotton, wool, cereals (with the exception of wheat), potatoes, coffee, sugar, tea, cocoa, and minerals (except iron and coal), have been more or less pronounced and their effect has been to reduce the purchasing power of the countries which produce them. As a result, the demand for manufactured articles on the part of these countries will be smaller, and this, in turn, will aggravate the conditions in industrial states.

A few years ago the situation was characterized by a general demand for greater production of goods which were sold at high prices; at the present time, the prevailing prices are barely sufficient to meet the costs of production. This change in the situation has been caused partly by the extension of the agricultural area, partly by more intensive methods of production, partly by the rationalization of industry and, unfortunately, also by excessive protection. In many cases, the decline of wholesale prices started already some months ago. They weakened further sharply under the serious pressure caused by the dramatic collapse of quotations on the New York Exchange of last October.

The difficulties are perhaps greater in agriculture than in the other branches of economic life. Agricultural conditions are unfavorable everywhere. It is a curious fact that this development has occurred during a period when Russia, formerly an important source of farm products entering into international trade, has not resumed her exports of grain to any appreciable extent.

The international capital market has been dominated

¹ Part of this article was adapted by Mr. Heldring from his New Year's address delivered to the Amsterdam Chamber of Commerce.

during the whole year by the speculative position at New York and its sudden liquidation, but also by the exceptional position occupied by France, which holds considerable balances abroad and has attracted gold first from London and afterwards from New York to a considerable extent. French withdrawals of gold from London increased the difficulties of the Bank of England, in the somewhat precarious position of the present balance of payments of Great Britain, and caused the rate of discount there to rise above the level at which it was in other creditor states.

The influence of temporary concentration of capital in America manifested itself in severely restricted credit operations in Europe and chiefly in Germany, where the need for credit was particularly great. Moreover, credit was curtailed by some startling private breakdowns, such as the winding up of the "Bodenkreditanstalt" of Vienna, the fall of the "Frankfurter Allgemeine Versicherungsgesellschaft" in Germany, and the explosion of the Hatry-swindle in London.

The position of Europe will be strengthened if capital withdrawn from the old Continent by the speculation continues to flow back. The rate of interest has already declined to a more normal level. Not much is noticeable as yet in the way of offerings of long-term credit. Meanwhile, we may ponder on the fact that the increased fluctuations of capital to and fro across the Ocean, influenced by uncontrollable elements on the New York Stock Exchange, is one of the gravest symptoms in the international financial relations since the war. It is hoped that a sounder capital market will develop after the putting in operation of the Young Plan.

THE YOUNG PLAN

A most useful event in the past year, an event which will contribute to an easier shaping of international financial relations and to further softening of old antagonisms, is the adoption of the Young Plan after long and difficult deliberations. It has the great merit of determining the German war debt; it reduces the burden of Germany; it frees her from foreign supervision and foreign occupation and transfers the carrying out of reparation payments from politics to business. The illusion that a country can remain tributary for some

generations as a consequence of one event, however formidable, is maintained subject to later revision, but it is perhaps not too much to cherish the hope that the key to liquidate this unnatural situation, which lies hidden somewhere in America, will be discovered some day.

One of the most important links in the system elaborated in the Young Plan is the Bank for International Settlements, not only because of its functions of receiving payments but because of its possible wider field of operations. The object of the Bank is described in the statutes: To promote the co-operation of central banks and to provide additional facilities for international financial operation, and to act as trustee or agent in regard to international financial settlements entrusted to it under agreements with parties concerned. Although the last-mentioned function is the direct cause of the Bank's foundation and has to be necessarily fulfilled, the two other objects have been placed in the foreground, seemingly in order to emphasize their future significance. They may indeed be of very great importance and, if properly handled by the Bank's Board, of very great benefit for the whole world. The definition of the Bank's powers and their limitations is such that fear of undesirable interference in the affairs of any country seems unfounded, and the funds which may be entrusted to it may not be used for such operations as the issuing of notes to bearer and advancing money to governments, nor may it accept bills. Its operations will be those of a clearing-house and, possibly at the same time, of a superorganism in the international gold and discount policy. The presence on the Board of several governors of central banks makes it not only probable that such operations, which will be confined to the currencies of the countries having the gold or gold-exchange standard, will be conducted with a maximum of good judgment, but that the maximum of cooperation between central banks will be ensured as a consequence of the regular meetings of the governors and of prominent American bankers. Better and more systematic reciprocal consultation between leading financial centres on both sides of the ocean in matters of gold and discount policy is indeed extremely desirable.

It may be observed here that the provision in the statutes

which reserves to the seven reparation powers an important majority in determining the Bank's future policies is not open to criticism, as long as the Bank limits itself to reparation functions and whatever may be connected with them, but is scarcely consistent with the other more universal functions of the institution, although it is clear that that majority will not always exist, since it is highly improbable that the seven creditor powers will invariably form one "bloc."

TARIFF BARRIERS

Ever since the Economic Conference of 1927 the problem of lowering tariff barriers has been before us without making any tangible progress in the spirit of the pronouncements of that Conference. True, a convention was arrived at after considerable difficulties in December, 1929, pledging the signatory states not to prohibit exports and imports, but its coming into force depends upon the ratification by Poland before May 31, 1930. No doubt, if ratified, it means an important achievement in international commercial policy, as it does away with one of the ugliest barriers established against the free movement of commodities: the brutal cutting-off of the interchange of goods, and we must all hope that it will become law. But when we turn to that other barrier—tariffs—the position was much the same at the opening of the present year as in 1927. Some restraint in the increase of tariffs was noticeable all over the world in the first year or eighteen months after the Conference, but as all the efforts of specialists to work out a workable scheme of international tariff-lowering failed, the year 1929 opened with the seeming victory of the skeptics and the disillusion, though not the disheartening, of the free traders—or, to be more exact, of those who, being free traders or not, insist on lower tariffs as being indispensable to the world's welfare.

The announcement of an impending increase of various items in the already very high tariff of the United States was received in the spring of 1929 by many quarters in Europe with feelings of regret mingled with a good deal of bitterness. Though nobody could say at that time on which commodities and to what extent the duties were to be increased, the spirit

of the decision was considered to inflict further hardship on the debtor states of Europe which are required to remit heavy annual instalments to the United States and more and more prevented by it from acquitting their indebtedness by the fruit of their labor. The reaction to American protectionism was an acute desire in many business circles on the Continent to form some sort of European economic entente, establishing lower tariffs than those existing at present between adjacent states and more or less high tariffs on goods imported from elsewhere. In Great Britain, the American proposal stimulated among industrialists the desire for imperial or general protectionism.

At the League of Nations' Assembly of September, 1929, a last effort was made by the Governments of Great Britain and Belgium to save the situation. They, jointly with France, which, however, clearly stated that she had no leanings towards lower tariffs, but reiterated her old view that European salvation is to be sought in international "cartels," proposed that all countries should be sounded as to the desirability of summoning a diplomatic conference with the purpose of establishing a tariff truce of two years' duration, during which means were to be devised to improve economic international relations (although tariff-lowering was to be included, the term was not mentioned). Prominent statesmen, like Messrs. Briand and Stresemann, delivered speeches on the same occasion in which they sung the praise of United Europe. The resolution was carried unanimously and the favorable answers received before the end of the year were sufficiently numerous to convene the Conference in February, 1930. The United States did not participate, but sent observers. No truce, however, was arrived at. France flatly declined it, and other states made so many important reservations with regard to their obligation not to increase import duties that the free-trade countries, whose only object is to ensure better conditions for their exports, could not consent to be parties to such a one-sided agreement. The truce idea being definitely wrecked, the delegates remained together and thanks mainly to the unabated vigor, combined with patience and tact, of the Chairman of the principal committees, Mr. Colijn, ex-Prime Minister of the Netherlands,

the Conference did not wind up with a completely negative result. A convention called the "Commercial Convention" was signed by some ten or eleven European states, among which were the four big Powers. They undertake not to denounce their existing commercial treaties until April 1, 1931. This means that certain duties, fixed by treaty, can not be raised during that period, except in very exceptional circumstances. Some countries have their duties on a good many articles thus fixed, others on a few, others on none (England and Holland). The Convention further obliges the signatories not to raise duties on articles, in respect of which they are free, without giving a twenty days' notice, and to discuss the effect of the increase with other states if these consider their interests interfered with. The Convention is to become binding on November 1, 1930, if sufficient ratifications are obtained.

It is intended to be a sort of gentlemen's agreement between various European states to observe, during a fixed, relatively short period, an attitude of mutual respect in the matter of tariff modifications. It is accompanied by an invitation to the governments to communicate their wishes and grievances concerning the treatment of their exports abroad so that the possibility of reciprocal tariff-lowering and other collective systems of improving economic relations may be jointly discussed. The Convention is open to every state, but with the exception of Japan, which may still sign it, no non-European country appears to be interested. Our hope must be that the Governments of Europe, or a fair number of them, will ratify it and see their advantage in co-operation with each other in overcoming the existing difficulties in connection with tariff reduction as well as the resistance which may be expected from vested interests. It is quite impossible for Europe to continue to be divided up in some twenty-eight states, most of them levying ever higher duties against each other, every one holding the views: firstly, that he thereby renders business difficult for other countries without injuring himself; secondly, that it is his paramount duty to make his country self-sufficient, however backward its conditions, however small the number of inhabitants and however expensive the cost of production in

the artificially encouraged industries may be. This policy runs counter to all notions of rationalization and, indeed, the cost of production in these relatively small countries, as compared, for instance, with the United States of America, is maintained at a very much higher level than would be possible in a free-trade or semi-free-trade area of some 200 million or 250 million people (Western, Central and Southern Europe), the high cost of social legislation being added to the cost of production. On the other hand, wages—or rather their purchasing power—remain low, internal prices being protected by import duties. Furthermore, the national production exceeding national consumption as the outcome of artificial fostering, foreign markets are required and the profits made on the home market are used to force export prices down. This dumping calls forth retaliations in other countries, and so we see that protection results in the prosperity of a few protected industries, but otherwise in over-production, low prices and gradually receding real wages (diminishing purchasing power) or, if not receding, but adapted to the cost of living, in further increase of the cost of production, the smallness of the interior markets in most cases not allowing of mass production.

It is too early to say whether the recently closed Convention will have any result in the way of improving economic relations in Europe. It is a first timid engagement between states to endeavor to bring this improvement about and it contains the novel principle of recognizing the right and duty of states to discuss with each other increase of duties. The probable realization of the worst fears regarding the increase of the American tariff may make still more people in Europe alive to the necessity of developing a system of inter-European concessions, but it is not certain that it will be sufficient to make the more important European countries agree on the subject. France advocates the extension of international industrial “cartels,” which—in her opinion—would have to regularize production, prices and marketing and would render tariffs unimportant, if not superfluous. However necessary “cartels” may be in a world of over-production, they are no remedy for high tariffs. They cannot exist in most cases without them, do not act “per se” in

the interests of the consumer (as reduction of import duties does) and only embrace a relatively small number of commodities, thousands of goods being unfit for cartellization. Besides, a system of international cartellization implies the intervention of parliaments and intensive national and international official supervision. It would mean the transitory stage to the nationalization of industries. This may be a desirable consequence, but it is not regarded as such by the promoters of the system, except so far as they are leaders of labor.

As to Great Britain, the Labor Government holds strong free-trade principles on the subject of tariffs (not so in their coal legislation), but industrialists are becoming predominantly bent on protection, and with a Conservative Government in power they are likely to have it. The cry for empire free trade raised by a press-magnate is an absurd one, as the Dominions will continue to protect themselves against British imports only in a minor degree than against other imports. It is largely a question of time. If Labor stays in power for a few years more, it will continue to use its influence, aided by the Liberals, to make the Commercial Convention a live thing and get the Continental powers to reduce their tariffs. If the Conservatives come into power before anything has been accomplished, England is likely to be lost to free trade and will turn her back on Europe. The situation will then be extremely black, the more so as the doings of France and Germany in tariff matters scarcely justify the hope that they will turn around on their road to higher protection, unless they shirk the responsibility of definitely wrecking a European "rapprochement." In both countries tariff legislation is very much conducted by the initiative of parliamentary groups, promoting the interests of one section or the other, of agriculture or industry, without viewing the economic interests of the country as a whole. Often the better-intentioned governments are reduced to the rôle of spectators. Thus, German agrarians have had their way lately on three consecutive occasions by increasing the duties on cereals and other products of the soil. Italy and other countries in the South and East are scarcely less protectionist. So are Norway and Switzerland and, to a minor

degree, Sweden. Belgium is mildly protectionist, but strongly in favor of international tariff-lowering. Denmark has still lower tariffs and Holland and Great Britain form the nearest approach to free trade. Whereas the situation in the latter country is uncertain, there is no desire in Holland to abandon the system, industry and agriculture having greatly prospered up to last year notwithstanding increasing protection elsewhere. She exerts herself, therefore, in trying to induce other countries to recognize also their interests to join hands in a downward move of tariffs. Let us hope that the last opportunity offered will be seized and that Europe will be able to substitute the conception that she has to create a system of freer trade, not by revolutionary methods, but by degrees, for old rivalries, old fears, old traditions and foolish economics.

Amsterdam
March, 1930

ECONOMIC CONDITIONS IN SWITZERLAND IN 1929¹

Report of Mr. Louis Dapples, President, Board of Directors, Nestle and Anglo-Swiss Condensed Milk Company, Vevey

THE GENERAL FACTS

SWITZERLAND can not feed her present population of four million inhabitants by her own resources, but must have recourse to foreign countries to insure her nutrition, because one-quarter of the territory of this country is unproductive owing to the composition of the soil, and necessities of life can be obtained only by way of international trade. The Swiss nation must therefore buy a part of her food supplies from abroad, and, as she has no abundant minerals to offer in exchange, she must pay for her purchases by means of manufactured products. But these manufactured products require raw materials, and as milk is the only commodity abundant in Switzerland, the raw or semi-manufactured materials which are to be transformed by Swiss industry for exportation must also be brought from the outside. This peculiar characteristic of Switzerland is reflected in the analysis of the composition of her foreign commerce, which is contained in the following table:

Group of Commodities	Percentage of Imports	Percentage of Exports
Foodstuffs.....	25	10
Raw materials.....	35	10
Manufactured goods.....	40	80

In view of these data, the activity of the Swiss people appears to be essentially industrial. There is, however, a large proportion of the inhabitants of Switzerland, probably a little more than a quarter of the total population, who devote themselves to the cultivation of the soil and whose efforts are systematically encouraged by the State in furtherance of the nation's interests. The fate of agriculture is indeed of foremost concern to the State, industry and com-

¹ Translated by the National Industrial Conference Board.

merce being more readily left to their own initiative. Moreover, finance occupies a growing place in the economy of Switzerland, having made considerable progress in the course of the last few years.

By classifying it under these three heads: agriculture, industry and commerce, and finance, one can retrace the pattern of Swiss activity in the course of a year, and attempt to draw up the economic balance sheet of Switzerland at the end of 1929.

A brief view of the main branches of Swiss economic life delineates the situation as follows:

Agriculture: Good crops; improvement of the gross yield; substantial governmental organization; propaganda to extend the production of grain.

Industry and commerce: Decline in foreign commerce; industrial development adapted to the specific trades; the almost complete disappearance of unemployment.

Finance: Re-establishment of the financial stability of the Swiss Confederation; standardization of money on a gold basis; choice of Switzerland as the seat of the Bank for International Settlements.

The various bulletins and statistics published to date give detailed evidence of the activity in these three fields of the economic life of the country.

THE SITUATION AND ORGANIZATION OF AGRICULTURE

After a rigorous winter, the weather proved favorable to agriculture. Hay was abundant and of good quality, the fruit trees enormously productive, the grain crops satisfactory, and the wine-growing extraordinarily strong. Furthermore, Swiss agriculture benefited by a number of tariff increases and by the reduction of rates of transportation on certain products. The cultivation of grain is encouraged by the state, which appropriates to it a subsidy of 17 million francs. In order to stabilize the price of milk, the attempt is made to curtail and to improve the making of cheese and to increase the production of butter. This last part of the agricultural program apparently is being applied somewhat

successfully, inasmuch as the value of foreign butter imported, coming chiefly from Denmark, has fallen from 35,258,000 francs in 1928, to 32,644,000 francs in 1929. However, the production of butter is less remunerative than that of cheese, the exportation of which has fortunately somewhat recovered, increasing from a value of 98,480,000 francs in 1928, to 103,661,000 francs in 1929, despite a decline in the price of this commodity. In consequence of their abundance, fruits, potatoes, eggs and honey diminished in value; on the other hand, the price of market cattle was notably strengthened.

A statistical report drawn up by the Secretary of the Union of Swiss Peasants proved that the gross yields of agriculture (the value of products consumed by the farmers or sold to a third party) increased to 1,489 million francs in 1929, from 1,466 million francs in 1928. The principal items of this output are:

	In Millions of Francs
Cultivation of grain.....	53.0
Cultivation of potatoes.....	45.4
Cultivation of sugar beets.....	1.4
Vineyards.....	68.2
Fruit trees.....	105.8
Market gardening.....	28.4
Breeding cattle.....	6.4
Fattening cattle.....	302.9
Horses.....	26.2
Hogs.....	189.7
Sheep.....	6.8
Goats.....	3.8
Poultry.....	81.4
Bee culture.....	11.3
Milk and dairy products.....	552.2

The output of 1929 is somewhat greater than that of the two preceding years.

The above evaluation of the final gross production of agriculture suggests some general conclusions as to the income of agriculture during the past year. Gross production per hectare must evidently be somewhat greater than that of 1928. The costs of production are nearly the same as in 1928, so that the net yield and the income are somewhat higher than they were the year before. The net yield, which in 1928 was only 2.63% seems likely to reach about 3%. The economic situation is thus improved, but to an insig-

nificant and insufficient extent. If the reduction of the price of milk by 2 centimes per kilogram which took place on the first of November, 1929, should persist during the entire year 1930, there would result from this single fact a diminution of the gross yield of 45 million francs in round numbers, which would nullify the improvement brought about under such difficulties. This means, then, that measures to surmount the agricultural crisis must be pursued as much by the individual farmer as by the agricultural organizations and the authorities.

The phrase "agricultural crisis" means that capital invested in the land and in the cultivation of the soil bears only a minimum interest, and that the peasant, bound to hard labor, does not receive remuneration for his work proportionate to the increased prices of his necessities. In addition, the interest charges and taxes which weigh upon him are heavy. Before the war, the farmers paid 107 francs per hectare in interest on their debts; at the present moment, this sum is increased to 168 francs. This increase due to raised interest rates as well as to the growth of the total debt, amounts to 61 francs per hectare or about $1\frac{1}{2}$ centimes per kilogram of milk. Furthermore, wages have alone increased by 253 francs and taxes by 17 francs per hectare.

To guard their interests, the farmers formed a number of years ago the "Swiss Union of Peasants," which unites more than 12,000 local agricultural associations, as well as numerous strongly organized federations and unions.

Conferences are held and courses given by thousands; everywhere men collaborate in the spirit of most complete disinterestedness to hasten the technical, economic and commercial progress of agriculture. The Swiss Union of Peasants has instituted an office of constructions, a division for agricultural machines, an office for valuations, a division for credit and insurance matters; and has established a financial guarantee fund for farm hands and small peasants.

Any efforts whatever made by agriculture, itself, to improve its situation, would be in vain without the support of the State.

But even while asking the government to continue active relief in behalf of agriculture, to its adherents, the Swiss

Union of Peasants insists upon the necessity of reducing the dairy production and of replacing in part the fodder cultivation by the cultivation of breadstuffs. Great progress has already been made in this direction. While at present domestic cultivation of grain provides for the country's needs in breadstuffs at the rate of 22%, where before the war this rate was only 16%, this proportion should be increased to 50% or more of the quantity required. For this reason, the Swiss Union of Peasants is trying to effect the adaptation of a program defined and justified as follows:

1. The raising of grain permits a more judicious use of the proceeds of cultivation as well as of the knowledge and abilities of a peasant class as capable and well prepared as that of Switzerland;

2. The raising of grain allows a better distribution of the risks of cultivation, diminishes the dangers of a crisis and may serve as an aid in overcoming the severe agricultural depression of today;

3. The increase in the extent to which the farm is supplied out of its own means makes possible a reduction in the cost of living;

4. The raising of grain leads to an intensification of cultivation which, without diminishing dairy production, contributes to the improvement of its quality;

5. Finally, statistics show that the raising of grain enables the maintenance, on the same area of land, of a more numerous population than is the case in a pastoral state. Indeed, each increase of the cultivation of fodder must assuredly lead to the enlargement of rural property-holdings, thus forcing a part of the peasants to leave the country and, nine times out of ten, to abandon agriculture.

For these different reasons, the Swiss Union of Peasants has undertaken an active campaign with a view to increasing by at least 10,000 hectares the area of land devoted to the cultivation of breadstuffs.

Thus, we come again to the statement, made at the beginning of this study; Switzerland does not produce enough wheat to feed her four million inhabitants. Up to the present time she has obtained what was necessary by import-

ing annually about five million quintals of foreign wheat, of which 50% came from Canada, 20% from the United States of America, 20% from Argentina and 10% from Hungary. Today, those directing the trend of agriculture are endeavoring to obtain from the soil at least half of the necessary supply of wheat, which will have, among other results, that of diminishing greatly an import trade amounting yearly to 135 million francs or 140 million francs. It might then be feared that the export trade would feel the effect of such a weakening of Swiss imports, which might be reflected in changes in tariff rates imposed upon Swiss manufactures by foreign countries. But this development is still rather remote, for it will take Swiss agriculture many years to carry out the program outlined, if it is ever achieved.

COMMERCE AND INDUSTRY

An inquiry into the foreign commerce of Switzerland in 1929, establishes two facts: the increase of imports, on the one hand, and the decrease of exports, on the other. The figures are as follows:

Year	Imports	Exports
1929	2,783,848,000 francs	2,104,454,000 francs
1928	2,744,680,000 francs	2,134,435,000 francs

The commercial balance of Switzerland, showing a deficit of 610 million francs in 1928, shows an import surplus of 679 million francs in 1929, a sum which must be covered by the proceeds of international bank and insurance business and therefore derived from the industry of foreign nations.

These statements seem to indicate some slackening of commercial and industrial activity, at least in regard to exports, for the import traffic has increased to such an extent that the price of merchandise received from abroad has declined considerably at several points. But the situation of the labor market shows that activity within the country has not declined, inasmuch as the past year has been the most favorable to Swiss labor since the crisis of 1921 to 1923. No other year since 1921, has shown so low an average of workers in search of employment or so high an average of vacant positions. In other words, while there were about 70,000 unemployed in

Switzerland in 1922, the number fell to 8,000 in 1929. One may thus conclude that, if certain branches of the export trade were less busy last year than the year preceding, there was a revival of activity in industries working for the domestic market, and with them in local commerce and trades.

PRINCIPAL IMPORTS AND COUNTRIES OF ORIGIN

Item	Imports (In Millions of Francs)		Origin
	1929	1928	
Grains.	259	267	Canada, United States, Argentina, Hungary, Germany.
Fruits and vegetables	90	94	Spain, France, Italy, United States, Holland.
Colonial products. . .	121	133	Brazil, Czechoslovakia, Holland, Belgium, Africa.
Food for animals. . .	124	122	France, Italy, Germany, United States, Argentina, Denmark, Yugoslavia.
Delicacies.	6	6	France, Germany, England, Holland.
Beverages.	71	73	Spain, Italy, France, Germany,
Animals.	13	18	France, Hungary, Ireland, Italy, Germany.
Hides and skins.	83	99	Germany, France, Italy, United States.
Seeds, plants.	80	78	France, Italy, India, Germany.
Timber.	85	73	Austria, Germany, France, Poland.
Paper ¹	40	39	Germany, France, Austria.
Cotton.	162	188	Egypt, United States.
Flax and hemp.	33	28	Belgium, Germany, Italy, England.
Silk.	168	182	France, Italy.
Wool.	138	156	Australia, Argentina, England, Germany.
India rubber.	36	31	France, Germany, United States.
Confections.	70	74	France, Germany, Austria.
Minerals (coal, etc.) .	185	158	Germany, France, Holland, United States.
Glass.	23	21	Germany, Belgium, France.
Iron.	169	152	France, Germany.
Copper.	63	56	United States, Germany, France.
Precious metals.	129	108	England, Germany, France.
Machinery.	106	90	Germany, France, United States, England.
Vehicles and automob- iles.	83	81	United States (60%), France, Italy.
Instruments and ap- paratus.	59	46	England, Germany, United States.
Pharmaceutic prod- ucts and drugs.	24	20	Germany, France.
Chemical products. .	119	116	Germany, United States.
Dyes.	20	20	Germany.
Industrial oils and greases.	31	38	Germany, Belgium, Holland, United States.
Tobacco.	24	22	United States, Brazil, Greece, Egypt, Turkey.

¹ "Cartons et Papiers livres."

The table above shows for 1929 a reduction in Swiss imports of necessities and of textile raw materials, while there was a substantial increase in imports of raw materials

for the metallurgical industries, of chemical products, building materials, minerals (coal), automobiles and precious metals.

PRINCIPAL EXPORTS AND COUNTRIES OF DESTINATION

Item	Exports (In Millions of Francs)		Destination
	1929	1928	
Foodstuffs (cheese, condensed milk, chocolate, etc.).....	149	148	Germany, United States, Asia, England, France, Italy.
Hides and skins.....	70	86	Germany, United States, England.
Cotton.....	234	266	Germany, Asia, England, United States.
Silk.....	297	334	England, Germany, United States, Canada, Australia.
Wool.....	51	53	Germany, Austria, England.
Straw and straw products.....	37	29	England, United States.
Confections.....	59	58	Germany, France, England, Belgium.
Minerals.....	19	15	Germany, France.
Iron.....	55	55	Germany, France, Spain, England, Italy.
Copper.....	41	36	France, Germany.
Aluminum.....	55	60	Asia, Germany, England.
Precious metals.....	44	33	Germany, Italy, United States.
Machinery.....	241	232	Germany, Asia, Spain, France, England.
Clocks and watches....	307	300	United States, Asia, Germany, England, Italy, France.
Instruments and apparatus.....	68	61	France, Germany, Asia.
Pharmaceutic products and drugs.....	53	48	Asia, Germany.
Chemical products.....	36	32	Germany, France.
Dyes.....	85	80	Germany, Asia, France, United States.
Tobacco.....	6	5	Germany, Italy.

The table above shows, first of all, that the slight increase in the export of foodstuffs was due to greater shipments of cheese, for the sales abroad of condensed milk and chocolate have decreased. The manufacture and the sale of shoes have exhibited equal lack of progress. The severe crisis of the past several years in the textile industry continues and grows, particularly in the spinning and weaving of cotton, in the weaving of silk and the manufacture of ribbons, in the artificial silk industry and in embroidery.

On the other hand, all that touches upon the metal industry has been favored by satisfactory activity, particularly in the manufacture of machines and in watchmaking and clock-making, this also applies to the chemical and aniline dye in-

dustries, and to the tobacco industry, which made a satisfactory showing.

On the whole the Swiss export trade has gone through a year of stagnation, as the figure of total foreign trade has declined by 30 million francs. However, this movement is transitory, and the condition of Swiss industry will improve with the return to a better economic status on the part of some of the principal markets, Great Britain in particular. Even so, there is keen hope that the new amendments to the tariff bill in the United States will be such as to assure the maintenance of significant business relations between this large market and Switzerland.

GEOGRAPHIC DISTRIBUTION OF FOREIGN TRADE, 1929

Country of Origin	In Millions of Francs	Country of Destination	In Millions of Francs
1. Germany.....	698	1. Germany.....	354
2. France.....	489	2. Great Britain.....	288
3. United States.....	291	3. United States.....	207
4. Italy.....	202	4. France.....	181
5. Great Britain.....	167	5. Italy.....	153
6. Argentina.....	92	6. Austria.....	68
7. Belgium.....	89	7. Netherlands.....	66
8. Czechoslovakia.....	84	8. Belgium.....	55
9. Canada.....	81	9. Czechoslovakia.....	55
10. Netherlands.....	60	10. Spain.....	54
11. Austria.....	54	11. Poland.....	43
12. Egypt.....	53	12. Australia.....	42
13. Spain.....	43	13. Argentina.....	39
14. Hungary.....	36	14. Canada.....	37
15. British India.....	32	15. British India.....	33
16. Poland.....	29	16. Sweden.....	31
17. Australia.....	25	17. China.....	28
18. Brazil.....	24	18. Denmark.....	19
19. Denmark.....	24	19. Brazil.....	19
20. China.....	14	20. Strait Settlements...	18

It is necessary indeed to take into account the fact that there is going to be an increase in the number of people dependent upon industrial activity. A census taken on August 22, 1929, revealed 8,514 factories in Switzerland employing 409,083 workers and consuming a machine force of 689,000 horsepower. This indicates an extraordinary growth in the number of workers, showing an increase of 12,000 per year for the period 1923-1929, as against only 700 for the period 1911-1923. The industries in which employment has particularly increased are clothing, metallurgical industries, machinery, and watchmaking. While the textile trade has

been the most important up to the present, the machinery industry has taken its place as the leading industry of Switzerland. The use of horsepower in the machinery industry has increased greatly. A much smaller increase in the use of horsepower in proportion to the number of workers employed has taken place in watchmaking and clothing industries.

In order of their importance the principal foreign sources of supply and chief customers of Switzerland are shown in the table on page 141.

FINANCE

The place of growing distinction which Switzerland is taking in international finance is due to several circumstances: The sound position of her own public and private finance, her excellent banking organization, the stability of her institutions and of her political situation.

Let us point out, first of all, that the finances of the Swiss Confederation have recovered their equilibrium; in 1929 state revenues exceeded expenditures by 24 million francs. The federal budget for 1930 anticipates a surplus of 110,000 francs. The Confederation repaid in 1929, the loan of 25 million dollars contracted in 1919, at $5\frac{1}{2}\%$ interest, and is preparing to pay back in 1930, the 1922 loan of 300 million francs at 5%. In preparation for these repayments, and in order to place her money on the gold standard, Switzerland imported in 1929, 105 million francs in gold, of which 52 millions came from the United States of America and 42 million francs from Great Britain. The Swiss franc is now based only on gold, and the National Bank redeems its bank notes with gold coins, bullion or gold exchange. At the end of December, 1929, the metal reserve for Swiss bank notes reached 61.9%, as against 60.7% in 1928.

The rate of discount has not changed for five years, a unique fact in the history of money. It is at $3\frac{1}{2}\%$, a low level prevailing in 1929 only in Switzerland, France and Belgium.

On December 31, 1929, 100 Swiss francs were quoted as follows:

	Paris	Berlin	Amsterdam	New York	London
Quotation.....	493 francs	81.16 R. M.	48.16 fl.	\$19.42	£25.12
Par.....	492.48 "	81.00 R. M.	48.00 fl.	19.29	£25.22

Throughout the year, the money market was extremely liquid, it was able to absorb in public and private issues the following amounts:

	1929	(In Million Francs)	1928
Bonds.....	573		484
Stocks.....	431		229
	<u>1,004</u>		<u>713</u>

Finally, the large public utilities, railroads, the post office, telegraph and telephone, state monopolies, closed their accounts with significant profits.

These various circumstances have doubtless not been without influence upon the decision reached on November 13, 1929, by the Commission of Financial Experts meeting at Baden-Baden, to establish the seat of the new Bank for international Settlements at Basle, Switzerland. The aim of this new financial institution, with a capital of 500 million Swiss gold francs, is to further the cooperation of the central banks and to furnish new facilities for international financial operations. In its capacity as trustee of the governments interested, it will have especially the duty of administering the application of the Young Plan for the regulation of German reparations.

Switzerland, in general, offers to the new international Bank the immense advantage of an atmosphere which is perfectly neutral and objective. As for the city of Basle, a veritable terminal point of Europe, it enjoys both through its geographic position and through its railroad and other means of communication, a rarely privileged situation which has undoubtedly contributed much to assure it the preference.

But aside from the central position of Basle, the political stability of Switzerland, the solidity of her institutions, her sound public finances, her impeccable bank organization, and—last but not least,—the sound character of the Swiss money unquestionably played an important part in securing the votes of the Baden experts in favor of a Swiss city.

The city of Basle, at the frontiers of Germany and France, has at present 148,000 inhabitants. It is second in size to Zurich, the most important city of Switzerland with more than 223,000 inhabitants. Basle is a banking center with

39 credit houses and an industrial center of the highest class (chemistry, *chappe*, silk ribbon, construction, etc.). In regard to trade and transportation, Basle is easily the leading Swiss city. The port of Basle is becoming more important, and when the work of regularizing the Rhine below the city, which is expected to begin in 1930, is completed, the port will have unlimited opportunity for expansion. This city is an old intellectual and university center, the founding of the University of Basle dating back to 1460, and, further, from the viewpoint of art and music Basle concedes nothing to the large European capitals.

The decision of the Commission of Financial Experts has emphasized the position of Switzerland in the international financial market. This exceptional situation has been commented upon in an interesting manner by an observant and cautious writer, Dr. Felix Somary, who, in his work on the "Changes in World Economy since the War," made the following comments upon the importance of Switzerland as an international financial center:

"Before the war, the two great credit centers of the Continent were Paris and Berlin. Although Germany formerly had to resort several times to short-term loans, this country has never been less able to furnish loans of any consequence to Russia, Austria-Hungary, Turkey, South America or China. Germany has long since joined the ranks of debtor nations, and the rôle which she played formerly has not as yet been filled by any other country. While France for the moment plays only a passive rôle in the field of foreign loans, the importance of small European nations, rich in capital, is considerably greater in the field of international finance, as compared with the pre-war period. Netherlands and Switzerland occupy today, in the international capital market, a place entirely different from that prior to the war. Sweden has also joined these two nations. The permanency of these three relatively small states in their new position is illustrated by the part they have taken, Switzerland especially, in the stabilization of the French franc. It is known that, for political reasons, the participation of America and England in these operations was not sought.

"The importance of Amsterdam and of Zurich as financial centers has grown unequally, as compared with the pre-war period. By the activity of its Bank of Issue and the removal to the Netherlands of German branch banks formerly domiciled in London, Amsterdam has become the second money center of Europe, while Zurich can be called the most powerful administrator of continental capital. The following comparative summary best characterizes this unexpected change in the bank situation of Switzerland:

(In millions of Swiss francs)

	Domestic Capital		Foreign Capital		Total Balances	
	1913	1928	1913	1928	1913	1928
Large Viennese banks. .	700	240	2,310	1,840	3,150	2,100
Large Swiss banks. . . .	505	1,029	838	2,155	2,621	7,161

Index Numbers, Base, 1913=100

Large Viennese banks. .	100	34	100	97	100	66
Large Swiss banks. . . .	100	204	100	257	100	270

"These figures certainly show the greatest change in business figures that has ever taken place between two neighboring financial centers within so short a time.

"The alteration of the financial situation of the three countries, cited above, in becoming creditor nations is remarkable in that they have not reached this position through their own activities, but through the effects of developments in neighboring countries. The result is that the political power, which should generally round off the necessary attributes of states acting as creditors on international account, is possessed by none of them. The history of Europe has never known such credit centers, politically so weak, and whose sole weapon against defaulting debtors consists only in their power to refuse new credits.

"The very great importance of political stability for the economic development of a country is manifest in the position now held by Switzerland. She is one of the richest countries of Europe, although perhaps the most destitute of productive power, being endowed with broad areas of rocks and woods and with a scarcity of productive land lacking in coal, minerals and textile materials, to which

is further added the inaccessibility of large outlets. The political stability, shown by Switzerland for centuries, and her freedom from war-like aspirations have above all contributed to her prosperity. The participation of Swiss capital in international affairs is relatively much more extended to-day than before the war, and the movements of capital apparently have more influence upon the Swiss balance of payments than the movements of trade. Devoid of large property holdings and depending only slightly on highly concentrated industrial enterprises, Switzerland affords a typical example of a country with numerous medium-sized industrial and commercial enterprises.

"Bolshevism in Switzerland is as inconceivable as feudal industrialism. It is the small peasants and middle class that have succeeded best in insuring liberalism to this country. Through the high purchasing power of the population, Switzerland has demonstrated how a country of little natural fertility can become a flourishing 'garden,' and secure to a people a high degree of economic well-being in the heart of the European Continent. She has arrived at this result by refraining from all the 'follies' traditional in so many other countries, notably in renouncing the desire to exercise a political influence to which small states can not aspire."

These flattering appreciations may well justify the confidence in the economic, social and financial future of Switzerland.

Vevey
February 6, 1930

CAPITAL SOURCES OF NORWAY

Report of Mr. Hieronymus Heyerdahl, Chairman of the Board,
Hafslund Water Power Company, Oslo

IT IS with the greatest pleasure that I, as Foreign Correspondent of the National Industrial Conference Board, Inc., New York, send you my first contribution to your highly esteemed work on "World Economic Conditions." I feel convinced that your readers will be interested in Norwegian economic conditions, once they become acquainted with them.

As to population, Norway is a small country, with only 2.8 million inhabitants. But the country's situation and natural resources make it a country of future possibilities for a considerably larger population. In area, Norway is a good deal larger than Great Britain (389,000 km.). Our coastline is inordinately long because of a free coast to all sides, except to the East against our friendly neighbor Sweden. The ocean cuts very deeply into this coastline, giving excellent, all the year round ice-free harbors, and facing as it does directly out towards the United States of America and England, and south towards Denmark, Germany and Holland, it makes possible the best of relations with these prominent nations.

These excellent external economic conditions were for a long period of time only poorly utilized. The Hanseatic régime of The Middle Ages destroyed Norway's foreign commerce. The consequences of this were felt for a very long time, one may safely say, up into the nineteenth century, when Norway's merchant marine gradually assumed again a prominent position. Norway had, before the war, the fourth largest merchant fleet in the world, with a total tonnage of about 2 million tons net; per capita it was by far the largest. Owing to the extensive coastline, our fisheries occupy a very prominent place, their yield being next only to that of England, here in Europe. But because of the considerably longer distances from Norway to the international markets, our fisheries were not as profitable as those of the

southern countries. It is a matter of great importance and just now under discussion, to increase the country's income from these valuable fisheries, by a better sales' organization. Fish products make up one-third of our total exports. Under fisheries must also be mentioned the great importance of the whaling industry.

Agriculture is however our chief livelihood, although only 3% of the country's area is under cultivation. It is estimated that before the war about 230 million crowns of our national income were derived from agriculture. It is however obvious that agriculture could not have been the chief cause of the large increase in population in the last century. In other words, the farming population in proportion to the country's total population has materially decreased, although agriculture itself has shown marked progress. Forestry has, from early days, contributed essentially to the nation's income. About 20 per cent of the country's area is covered by forests, and we have exported lumber since before the year 1300. With the development of the saw mills and cellulose factories, forestry became of enormous importance and was before the war responsible for one-third of our total exports.

The industrial evolution is the prime cause of this country's strong growth in the last hundred years. Besides exploitation of new raw materials, this is due to Norway's rich access to water power. Norway is a land of water power to a greater extent than any other country, in comparison to its population and area. Consisting as it does mostly of high mountain districts with large water reservoirs in glaciers, marsh land and lakes, the rivers frequently form large falls close by the ocean and excellent harbors. The power of these falls is estimated at 15 million horsepower, of which 12 million horsepower are considered profitable for development. Before the war, the developed horsepower amounted to approximately one million horsepower and was utilized chiefly for industrial, light, heating and traction purposes. Mining has also contributed in giving a wide basis for industrial activity. In various parts of the country are to be found iron ore, copper, cobalt, brimstone, nickel, gold, silver, lead-glance, zinc, apatite, chrome ore and molybdenum. There are furthermore large amounts of granite, soapstone, lime-

stone, slate and marble. Before the war, mining products of all kinds, finished or unfinished, made up one-fourth of the country's total exports.

It is industry and increased turnover that offer the large future possibilities for this country, and that have in the last hundred years caused a tremendous growth in population and prosperity.

Before I deal with the subject of this country's industrial prospects, I feel it is necessary to give an explanation of our present economic conditions in general.

First of all, one must remember that no country in the world went through such a period of deflation as Norway did after the war-time boom. It is sufficient to mention that the Norwegian exchange as late as in 1924 was quoted at 7.20 crowns to the dollar. Already in 1927 the average quotation was 3.84, and on May 1, 1928, the Bank of Norway established the Norwegian crown on its firm parity basis of 3.74 crowns to the dollar. The deflation in 1920 started with a tremendous drop in prices, and no other country, whose exchange today is at parity, has had such a high price level as Norway.

I start my report on general conditions, by mentioning this deflation, because it throws a light on many important things. It shows that Norway is a country strongly influenced by international conjectures, particularly shipping conjectures. Furthermore, it shows our conservative inclination in wishing to meet obligations, at the same time with a pronounced tendency for progress, politically as well as industrially, commercially and culturally. The frequent and well-founded assertion that the rise in our exchange was an impossibility, was disproven by the ability to find new ways and means of regulating their industries and to adapt themselves to existing conditions, which is so characteristic of the Norwegians.

It furthermore throws a light on the importance foreign capital has for Norway. It can not be denied that Norway's easy access to credit was of material assistance in bringing about gold parity. Foreign capital considered Norwegian paper very favorably and deposited large amounts in our banks.

I first of all want to stress that Norway has always been a capital importing country (disregarding conditions existing during the Middle Ages). During our union with Denmark up to 1814, our Bank of Issue was located in Denmark, and even a long time after that, the chief credit sources of our foreign commerce were Hamburg and London. Only very slowly, after 1814, did Norway develop its own banking and credit system. The system of private banking did not begin until 1830, although savings banks were established about 1820. Throughout this period, of course, foreign banking houses were our natural connections. Norwegian banks gradually took over the financing of short-term credits, while long-term foreign credit remained the most important source for financing the development of our country's capital construction. A great expansion in road and railroad construction, undertaken at the end of last and the beginning of this century, was financed directly by English capital.

At the outbreak of the World War, practically the entire Norwegian national indebtedness was in foreign currency, especially in pound sterling and francs, but also in German marks. A number of industrial, water power and mining enterprises undertaken at this time were financed with foreign capital. In this connection, I particularly want to mention the large Pulp and Paper concern "Borregaard," originally financed with British capital (Kellner Partington Pulp & Paper Company), Hafslund Water Power Company, financed from Germany and Norsk Hydro-Elektrisk Kvælstofaktieselskap, founded in 1905, chiefly with French capital. It is also worth mentioning that our agriculture benefited to a great extent from the foreign loans of the Norske Hypothekbank, by financing an extensive program of new cultivation.

That Norway needed foreign capital in such a marked degree is not strange, as those resources which can be developed without capital do not give sufficient profit per capita to make possible accumulation of savings and funds for self-financing. Neither has our country understood to utilize and take advantage of our foreign commerce to the extent it should have, if this had been in our hands earlier and had been financed with Norwegian capital.

During the war, we enjoyed a very large income from our overseas shipping and export, enabling us to do our own financing. As a result of the inflation, a great industrial expansion started, especially the development of our water power. To a large extent this was done through municipal initiative, made possible by the increased tax returns, the easy money market and willingness to grant loans. As at the same time, a strong socialistic wave rolled over the country, everything was in favor of an extensive development of our water power. The amount of our developed horsepower increased from 900,000 kilowatts to about 1,800,000 kilowatts from 1914 to 1927, but at the same time our municipal indebtedness increased from 300 million crowns to 1,500 million crowns, it is noteworthy that of this amount only 150 million crowns were foreign loans. There has, however, in the most recent years, been done some conversion to foreign loans, particularly since the establishment last year of The Municipal Bank of Norway. The government also acquired water-falls, and the government indebtedness increased in about the same ratio as that of the municipalities. While the national indebtedness before the war was practically entirely in foreign exchange, it is now only fifty per cent in foreign loans. During the war, a number of companies were able to transfer their financing to Norway, a typical example is the transfer of the stock control of Borregaard and Hafslund from foreign interests to Norway.

Our merchant marine went through a revolution, fifty per cent of our total tonnage was sunk by submarines or blown up by mines. This tonnage was immediately replaced by first-class modern ships. Consequently, this country has today the most up-to-date merchant marine in the world. Our fisheries benefited by vastly improved methods—motorization of practically the entire fishing fleet. The whaling industry has reached a development which has caught the eyes of the world.

With the arrival of the above mentioned deflation, our industries, with their high building costs, found themselves in great difficulties, and there was a strong tendency to accept some of the many offers of support by foreign capital, which then streamed in to Norway. Creditor nations—

especially United States—possessed considerable free capital in the form of demands on Europe for supplies delivered during the war, and also large gold reserves. This free capital had to be placed. The result for us was easy access to credit. While our national foreign indebtedness in 1920 was not much higher than before the war, this increased in the years after 1920 to its present peak (about 800 million crowns as against about 300 million crowns). It was, however, especially business credit and credit to private enterprises which increased.

This has the appearance of a very unfavorable development, and is unfavorable to a certain extent. But remembering the increased population, the high cost of living and above all, the great increase in the country's productive ability, it is not in itself the question of our foreign indebtedness which need depress this country's economy. The last export statistics show an increase of about thirty to forty per cent over 1913. Total export in 1913 was about 400 million crowns; in 1928 about 680 million crowns. Our import has increased from 550 million crowns to about 1,000 million crowns in the same period of time. One must bear in mind that our overseas shipping and whaling industry counterbalances a large part of our import excess.

These figures show a large increase in our foreign commerce, and 1929 shows a further marked increase. I am quite convinced that we are on the threshold of a very successful development of our foreign commerce, if only the new restrictive tariff policy does not prove a hindrance to world commerce. Trade between the United States and Norway has been steadily increasing, America's export far exceeding its import from Norway. Our import from America has increased from 40 million crowns in 1913 to 134 million crowns in 1927, while our export to America has increased from 34 million crowns to 73 million crowns. These figures indicate that it would not be wise for the United States to uphold a too strict and aggressive tariff policy towards our more important export articles or towards our overseas shipping.

I have in this article endeavored to give a picture of the more important factors which might be of interest in connec-

tion with capital imports to Norway. A certain amount of fear has been expressed towards this foreign capital invasion, believing that it might threaten our economic independence. This is not, however, the general consensus of opinion of either business or government interests, but we are aware of the fact that against the foreign capital we receive, we must increase our productiveness in proportion with the increasing interest obligations. From this basis, far-seeing industrialists and business men in Norway see that a lively development of finance and commerce between Norway and foreign nations is the right road for us to choose.

Oslo
October, 1929

THE FISCAL POLICY OF JUGOSLAVIA

Report of Mr. S. D. Alexander, President, Mirna Coal Mining Company, Inc., Zagreb

THE Hague Conference has successfully laid down the principles for the financial liquidation of the Great War. Yugoslavia was especially interested in the settlement of the so-called Eastern reparations, a long and sore problem, which has at last found a satisfactory solution through the good will shown by all interested parties, great and small Powers alike. The details of the settlement have been left over to the Paris Conference now in session. It is not likely, however, that any unsurmountable difficulties will arise at this last formal stage.

Previous to this arrangement, our national budgets necessarily lacked definiteness on account of the uncertainty of the very important war items on both sides of the balance sheet. The war debts of Yugoslavia to France, England and America are already fixed; the settlement of the obligations towards the bondholders of pre-war Serbian loans has just been announced, and all the claims arising out of the sequestration of alien property are now on the way to being cleared.

All this has paved the way for official placing of our currency on a gold basis. Such a law will be only a formality since there have hardly been any fluctuations in the Yugoslav currency for the last five years, but nevertheless a formality necessary for the consolidation of the budget and for full credit in foreign money markets.

The trade balance sheet of Yugoslavia has shown a surplus last year. We owe this to the excellent crops, especially of wheat, which has been exported very briskly in the last few months. Our exports for the year 1929 were 5,329,866 tons valued at 7,922 million dinars¹, an increase of 17.74% in tonnage and 22.92% in value as against 1928. During the same year, 1929, we imported 1,671,520 tons of goods for 7,595 million dinars, which means that the imports were

¹ One United States dollar equals 56.70 dinars.

larger in bulk than in 1928, but 240 million dinars less in value. Accordingly the surplus of the trade balance for the year 1929 amounts to 327 million dinars. This has, of course, also affected favorably our balance of payments, an important item of which is the sum of 900 million dinars annually representing the Yugoslav share of German reparations.

By the Royal Decree of October 3, 1929, the country has been divided into nine provinces which are endowed with a large degree of administrative, fiscal and economic autonomy. The government of each region will be adapted to its economic structure, and their progress will depend on the measure in which the principle of economic self-government is going to be developed. The national fiscal organization will have to supply the means of government to a large extent to the provinces, too, but quite an important part of their budgets will be covered by autonomous levies and excises.

All these changes in the administration of the country will have a deep effect on its budgets also. I wish to point out that the budget of Yugoslavia has been very stable for the last three years. No variations to speak of have occurred on either side of it. Changes may possibly happen now on account of the decentralization of public administration and the ensuing economy in the national household, as no less than five Ministries have been abolished in 1929 with absolutely no loss in administrative efficiency.

In shaping the fiscal policy of the country, the Ministry of Finance appears to be guided by three main considerations: (1) not to overtax the economic capacity of the nation thus increasing the cost of living and hampering our export activity in competing with products of other countries; (2) to enforce strict economy in all branches of public administration, which will ensure lasting stability of the budget, and (3) to create sound conditions for successful negotiation of a larger foreign loan to be used exclusively for productive investments.

Land reclamation, railroad and highway construction, harbor development and exploitation of water power are the outstanding and very timely problems in the economic program of Yugoslavia, but they can be carried out on a big

scale only by large capital investments for which we still must depend on the confidence of foreign money markets. I should observe here that, in the course of the last few years, considerable investments, especially for new communications, have been covered by ordinary revenues, an excellent proof of the underlying economic strength of the country, but which cannot be made a permanent principle of public investment policy.

Order in the national household, which is at best reflected in the budget of the Ministry of Finance is the essential condition for gaining the confidence of foreign money lenders. Yugoslavia is an agricultural or peasant country, 80% of her population living on and from the land. Nevertheless, our methods of agricultural production are not very advanced, and, therefore, the peasant property is able to bear only a small fraction of direct taxes in proportion to the number of its holders. Direct taxes paid by all the peasants amounted until recent years to only 300 million dinars, this figure being then raised to 500 million dinars, and for the current year it will reach 700 million dinars, as compared with 1,800 million dinars paid in direct taxes by all economic branches. Considering that the total budget amounts to about 8,000 million dinars, the part raised by direct taxation is only 22%. The grand total of the budget is really 12,000 million dinars, but by excluding the items representing the operation of state enterprises, such as railroads, forests, mines, etc., we reach the figure of 8,000 million dinars. Accordingly, indirect taxes, excises, customs and monopoly revenues and sundry imposts must provide the remaining 78% of the required national revenues. This, of course, places a considerable burden on the consumers of important articles of prime necessity, such as salt, mineral oil, matches, sugar, tobacco, etc., that is, on the people at large, who are thus called upon to contribute in an indirect way the amounts that cannot be collected by direct taxation.

By gradual progress in agriculture, as well as in manufacture, and by raising the efficiency of the man-power of the country, the structure of our public revenue system will no doubt undergo radical changes in favor of the more

scientific and socially more equitable direct taxation which trend is already to be noticed in our fiscal policy.

Uniformity in direct taxes has been achieved by the present administration. The same thing remains to be done for the various excises, a very important source of our national revenue, which represent a considerable and rather uneven burden on certain production branches. A plan for the unification of excises is now being worked out in connection with the fiscal organization of the new provinces. Most probably the Ministry of Finance will establish uniform limits for provincial and municipal excises, relieving the taxpayers from uncertainty as to total payments expected from them and giving the smaller government units, the provinces and municipalities, a sounder foundation for balancing their revenues and expenditures. The importance of this point in the fiscal program of the administration can hardly be overemphasized from the business man's standpoint, and the efforts of the Ministry of Finance in this respect, meet with general interest and approval.

Another revenue item needing reform is the general sales tax. This tax of 1% on the sales value is being collected on all commercial transactions, with the exception of agricultural produce and export sales. Considering the long and often tortuous way goods must travel from the producer to the ultimate consumer, the latter feels in many instances the sales tax as a rather heavy burden. The new project will presumably tax the goods at the source of production avoiding subsequent duplication and thus relieving the general trade.

Considering the economic structure of the country, tax collections in Jugoslavia are not unsatisfactory. Overdue payments are slowly being brought in and never fall behind the estimates of the budget. During the last fiscal year, there was even a surplus of 300 million dinars collected in direct taxes over the official estimate.

This is a result of favorable conditions obtaining on the domestic money market. Deposits in the state financial institutions, such as the National Bank, the Postal Savings and the State Mortgage Bank, as well as in private banks, are steadily on the increase, mainly owing to the excellent

crops. This monetary situation is quite adequate to ease tax collections, current and overdue, and take care of ordinary requirements of business, but it is not sufficient to supply the funds for long-term credits, the banks having not yet forgotten the dangers of immobilization of too large a part of their assets following the investment optimism of the immediate after-war period.

The fiscal policy of Yugoslavia has still many and important problems to solve. The central one, here as in many other countries, is the problem of developing agriculture, the basic economic activity of Yugoslavia, and of harmonizing its interests with those of other production branches equally essential to a well-balanced economic body. This cannot be accomplished in a haphazard way. The Ministry of Finance is the competent umpire and coordinator as between the diverging interests represented by the other departments in the administration. The carrying out of its far-reaching program of fiscal regeneration will be favorably felt by all economic interests, including agriculture.

Zagreb

March, 1930

HUNGARY'S ECONOMIC POSITION IN CENTRAL EUROPE

Report of Mr. Alexander Popovics, President of the National Bank of Hungary, Budapest

HUNGARY constituted before the Great War a uniform territory surrounded from almost all sides by natural boundaries. There were both mountains and plains in the country. The former were rich of mines producing, among other materials, coal, iron, precious metals and salt, while huge woods supplied not only the home demand for timber but produced also a considerable quantity for export. On the plains, agriculture was the principal occupation, but during the last decades preceding the Great War, there was also a powerful development of the country's industry, particularly in that part of it which was based on agricultural products or intended to satisfy the special requirements of agriculture, such as the milling, sugar, beer and spirit industries and some branches of the steel and iron industry and, in connection with the latter, the machine manufacturing and the electrical industries. During the same period, there was a very important advance in the banking and credit system of the country. Big banks established in the Capital spread their activity all over the country through branches and through a system of credit institutions in the provinces. The development was greatly favored by the fact that the country's monetary system was built on a sound basis as a result of the monetary reform initiated in 1892. This situation enabled our banking institutions to expand over the boundaries and to find important territories for their activities in the East, particularly in the Balkan States, as in Serbia, Rumania and Bulgaria. Pre-war Hungary had also her own sea. Her sea navigation companies and the products of her industry, the Hungarian flour and sugar, found their way to overseas countries—the flour to the West, the sugar to the East, principally. Hungary and Austria formed a union with regard to customs tariffs

and to commercial policy. The Hungarian agriculture had in Austria a market protected by customs tariffs against the competition of foreign agricultures; on the other hand, Austria's industrial products were marketed in Hungary, under the protection of Hungarian customs tariffs. An economic union in the very centre of the European Continent with more than 50 million inhabitants was an important factor indeed in the world's economic life and thus a pioneer of civilization towards the East.

This uniform territory, and together with it the territory of 1,000 years' old Hungary, have been destructed by the Peace Treaties of St. Germain and Trianon. The latter was based upon two fictions, one of them being that Hungary is also responsible for the outbreak of the World War, the other that the national minorities living on the territory of pre-war Hungary might be completely separated by geographical boundaries. The first fiction has since proved false, as the documents published gave evidence that, at the conference of the Ministers held immediately before the outbreak of the War, the Hungarian Prime Minister was opposed to the military action and when he was forced to give way he did it only under the condition that Hungary refuses—in the case of victory—any enlargement of her territory. The other fiction has been annihilated by the fact that several millions of Hungarians are living on the territories detached from Hungary.

Hungary of to-day is a small country alongside of the Danube, covering a surface of about 93,000 square kilometers mainly of plain land, with 8.6 million inhabitants. The Peace Treaty determining the country's present boundaries has left to the country only one-third of its pre-war territory and 42% of its population, and has detached from it the Northern and Eastern mountains with all their valuable natural treasures and woods, the excellent corn-growing Southern part, as well as the South-Western part inhabited by Croats, who already before the War enjoyed a far-reaching autonomy. The Peace Treaty has considerably altered Hungary's economic position in Central Europe. The huge territorial loss has seriously reduced its international economic importance, while, on the other hand today, Hungary

is far more dependent upon international trade than before the war.

After the war, Hungary had to overcome great difficulties in trying to take her place again in international trade. The war has ruined many of the relations which existed between Hungary and countries outside the Austro-Hungarian Empire during the pre-war decades. During the war, the international trade of Hungary was largely paralyzed and almost limited to her Allies only. All economic relations with Western and Eastern States, fighting on the other side, had naturally been interrupted. After the war came to its end, the dissolution of the Austro-Hungarian Empire and the occupation of a great part of the old Hungarian territory lead to a temporary isolation of Hungary even from the other parts of the former Austro-Hungarian Empire. During the years following the war, Hungary had to sustain heavy shocks, two revolutions, thereafter the uncertain political situation and the rapidly growing inflation, which were all serious obstacles to a re-establishment of the economic relations disrupted by the war and the events following thereafter.

The foreign trade of present Hungary did not develop until 1920, when the total value of exports and imports amounted to no more than 675 million pengő or \$118 millions. During the following years, the foreign trade of Hungary increased almost unceasingly, a more important upward movement, however, is in evidence only since 1924. In 1929, the total value of foreign trade was more than 2,100 million pengő or \$367 millions. This amount is probably still below the prewar figure, as in the years immediately preceding the War, Hungary's foreign trade amounted to about 4,000 millions of gold crowns or \$810 millions, which corresponds to a value of about 6,000 million pengő taking into account the rise in the price level (1 gold crown equals 1.16 pengő, but owing to the fact that prices calculated on gold basis are by about 25% to 30% higher than before the war, the purchasing power of one gold crown may be taken as equal to that of 1.5 pengő). The territory of present-day Hungary shared at least to the extent of 40% in the foreign trade of pre-war Hungary. The decrease of the foreign trade is chiefly due

to the fact that the trade between European countries has to meet today far greater difficulties than before the war. The tendencies towards economic isolation are today rather strong and are also nourished by certain political considerations. However, it is to be hoped that these obstacles will diminish in future, as the idea that European states are dependent upon each other and that the economic self-isolation of the small European states is rather detrimental, is gaining more and more ground, while political tensions are also relaxing.

Hungary of today is also a predominantly agricultural country, although considerable advance has been made since the war towards a more complete development of her industrial organization. Particularly textile manufacturing has grown to one of the most important branches of industry in Hungary. The predominantly agrarian character of the country, as well as—owing to the loss of the mountain districts—the lack of many raw materials, exercise a determining influence on the direction and the objective of the foreign trade of Hungary. Having a considerable surplus of agricultural products Hungary plays, together with Rumania and Jugoslavia, an important rôle in supplying with food some Western countries, above all the two Western neighbors, Austria and Czechoslovakia. Of the Hungarian exports, valued in 1929 at more than 1,000 million pengö or \$175 millions, more than 60% are represented by food and cattle, the bulk of which is being sent to Austria by Czechoslovakia and Germany. In 1928, Austria absorbed 34.0%, Czechoslovakia 17.7%, Germany 11.7%, the three countries together 63.4% of the Hungarian exports. Austria and Czechoslovakia are chiefly buyers of Hungarian grain, flour, cattle and meat, while Germany takes principally other agricultural products, particularly products of poultry-breeding. The bulk of Hungary's imports, 59% in 1928, comes from these countries. The majority of the goods imported from these countries consists of semi-manufactured or manufactured articles, but an important part of the imports from Czechoslovakia is represented by coal, timber, iron ore, pig iron and other raw materials not produced in Hungary in sufficient quantities. The foreign trade with the East is

considerably smaller. Hungarian imports from Rumania and Jugoslavia represented in 1928 only 12.7% of her total imports, while Hungary's exports to these countries were not more than 11.9% of her total exports. About one half of the imports from these countries consists of timber, raw and manufactured, the other half mainly of other raw materials. Hungary exports to Eastern countries chiefly industrial articles, in which she is able to compete successfully with Western exporters.

The expansion of the Hungarian industry towards East is one of the rôles Hungary has to play today on a larger scale than she did in earlier times when she had to face, even in the country, a competition of the more-developed Austrian and Bohemian industry. Although it is true that the Balkan States try to develop their own industries with the aid of high industrial protective tariffs, the scarcity of capital and other obstacles still leave an open way for successful industrial imports, particularly from countries where the technical skill of manufacturing is superior and where the working classes are of a higher intellectual and professional standard.

Since 1924, when inflation was stopped and state finances reconstructed, there was a strong development in the capital and credit movement between Hungary and the Western States, which had been quite insignificant during the preceding years. As a result of the destruction of capital caused by the war, by the revolutions following thereon and by the hostile occupation, as well as of the decay of working capital caused by the inflation, Hungary's demand for capital was very important during the post-war years. However, owing to the nearly complete lack of inland sources of capital, it was impossible to meet this demand out of the country's own resources. Thus it is quite comprehensible that Hungary made great demands on foreign capital markets as soon as she was enabled to do so. The first of the more important Hungarian issues abroad was the State loan of a nominal value of about \$62 millions issued in 1924, under the protection of the League of Nations, a considerable part of which has been issued in the United States of America. The issue of this loan was soon followed by several bigger long-term issues, so that the long and medium-term foreign loans of Hungary, made dur-

ing the years 1924–1929, reached a nominal value of about \$240 millions, to which a considerable amount of short-term foreign credits is to be added. As to the creditor countries, a change has taken place as compared with pre-war times. Of the pre-war creditor countries, France, Germany and Austria did not make any long-term loans since the end of the war, while Switzerland and the Netherlands participated only to a small extent in Hungarian long-term loans. The bulk of such loans has been granted by the United States of America and England, the former of which did not rank at all before the war among the creditors of Hungary, while the participation of the latter in Hungary's pre-war issues was relatively small. In addition to long and short-term credits, foreign capital has in recent years taken part to a considerable extent in the capital increases of Hungarian undertakings, particularly in those of banks, thus tightening the relations between Hungarian undertakings and Western countries.

Owing to the insufficiency of inland capital accumulation, it is probable that Hungary will still for some time depend upon foreign capital, even if not as much as in the years 1927 and 1928, when the influx of capital was the greatest since the war. The demand for capital is still greater than it ought to be normally, owing to the fact that capital expenditures, buildings, equipment etc., of the State and of State undertakings, after having been nearly stopped during the war, were but very small during the post-war years. As a result of these circumstances, there is a great demand for capital—particularly on the side of State undertakings—that could scarcely be postponed. The demand for capital is also being increased by the fact that Hungary's economic structure was still unable to adjust itself completely to the changed conditions. A particularly serious problem is given in the difficulties of securing the means of subsistence for the population which is too numerous in comparison with the territory. Whereas in pre-war Hungary the density of population was 64 heads per square kilometer, in present Hungary it is 93. This density of population renders imperative a reorganization of the economic structure of Hungary and a thorough rationalization of industry and agriculture alike.

After the settlement of the post-war troubles, Hungary tried to resume her functions as middleman between West and East. Hungary is today even more competent for these functions than before the war, as considerable parts of the old Hungarian territory have been attached to Rumania and Jugoslavia, with a great number of Hungarians still living there who maintain numerous cultural and economic relations with present Hungary. Nevertheless, it was rather difficult to resume those mediatory functions after the war. Not only did the neighboring states endeavor to reach economic self-isolation, but also Hungary was seriously hindered by the fact that her political troubles, caused by the revolution and the hostile occupation, were of a relatively long duration. Hungary was thus somewhat late in re-entering into international trade and, when she did so, she found her place already occupied by others. Hungary's transit trade is, in spite of these difficulties, developing well without having yet reached a major importance in the country's economic life. Hungarian transit traders mediate the sale of some agricultural products, cattle, eggs, feathers, dried plumes, of Balkan States to the West, and, on the other hand, the sale of textile and leather manufactures, machines and electro-technical articles from the West to Eastern States.

Danube navigation is still below its pre-war standing. The loss of time and increase of costs, resulting from the new frontiers and the numerous customs inspections, represent a heavy charge on the Danube navigation which, on the other hand, suffers also from the decline of the volume of trade. Hungary's share in the Danube navigation is smaller today than before the war, as the Hungarian Navigation Companies have lost a great part of their fleet. However, Budapest is still the leading port on the Danube. In 1927, its traffic totalled 2,300,000 tons, as against 1,392,000 tons for Braila, and 1,025,000 tons for Vienna. The new free port, established on the Southern border of Budapest on the upper end of the Isle of Csepel, is of great importance for the future development of Hungarian Danube navigation. The new port is equipped with newest transfer-elevators for re-loading and comprises a grain warehouse with a capacity of 350,000 metric quintals, warehouses for piece goods, and areas for the storage of staple commodities. The port was

opened for traffic on October 20, 1928, since when, until the end of 1929, 18,000 truckloads of different goods have been stored. Of this amount, 1,000 truckloads were transit goods.

The mediatory functions of Hungarian banks in the capital movement between the West and East have been steadily increasing in the last years, but they are still below the pre-war level. A heavy blow to these functions of Hungarian banks was the loss of a considerable part of their pre-war Balkan branches. Hungarian banks were forced to liquidate a great part of their Balkan branches, and in many cases they broke them off voluntarily because of unfavorable conditions. As the capital of Hungarian banks has been seriously diminished by the inflation, the capital movement between Hungary and the East could only start after it had begun between Hungary and the West, i. e., in 1924, after the Hungarian currency had been stabilized. During the years since elapsed, Eastern branches of the banks show some development, although some of the former branches have been abandoned during this period. It is remarkable that some of the Hungarian institutions have taken interest in various concerns, not only on the Balkans, but also in Western States, and they have even participated in some foreign issues. Towards the East, Hungarian banks endeavored to develop their credit business—which shows a considerable increase—rather than their branches. The future presents important tasks to the Hungarian banks in respect of credit business with the East, as, owing to their geographical situation and to their old relations, they are experts in Eastern conditions and, on the other hand, their conservative management, their excellent and old reputation and their close relations with Western banks enable them to give full security to Western creditors.

Budapest
March, 1930

RECENT ECONOMIC TRENDS IN CANADA

Report of Sir Henry W. Thornton, Chairman and President, Canadian National Railways, Montreal

SINCE the close of 1924 the economic trend in Canada has been strongly and consistently upward, assuming during the past two years proportions of a pronounced general expansion. Beginning with 1925, a succession of four favorable harvests culminated in 1928, in yields which set new records and gave a decided stimulus to the economic development of the country. Not only were crop conditions favorable, but the recovery in agricultural prices from the post-war liquidation greatly increased the purchasing power of the community. On this firm footing, for Canada is still predominantly an agricultural country, a resumption of the development of natural resources, which had experienced a serious set back in post-war years, set in. The necessary capital was imported in large amounts, chiefly from the United States, but was also raised to an unprecedented extent from within the country.

The industrial expansion in Canada of recent years has been upon a different basis from that of earlier periods, which were in the main concerned with the exploitation of large agricultural areas and the servicing of them with railway transportation. There has been, of course, a steady and material increase of crop acreages, which indicates that agricultural development is in a healthy state, but the main attention has been directed to the exploitation of the forest and mineral resources of the country, and particularly with regard to those northern sections which previously had been left untapped. Of special note is the discovery that the great area of pre-cambrian rocks, known as the Laurentian Shield, which has often been regarded as a handicap to Canadian progress, is a veritable treasure store instanced by the discovery and development of copper, gold, silver and zinc mines in Manitoba, Ontario and Quebec. Mineral production in other provinces of Canada has also been stimulated,

and the mining industry has developed to a truly remarkable degree. Mineral production per capita stands at \$29, indicating a total annual value in excess of \$275,000,000. In order of total values, the mineral products of Canada are: coal, copper, gold, nickel, lead, asbestos, silver, zinc, natural gas, petroleum, gypsum, cobalt, salt and platinum. At the present time, Canada produces 90% of the world's nickel, 85% of the world's asbestos, 55% of the world's cobalt, 9% of the world's gold, 8.7% of the world's lead, 8.4% of the world's silver, 6.4% of the world's zinc, and 4% of the world's copper. The trend in production of copper, nickel and gold is distinctly upward, and the production of coal is only limited by market considerations.

The exploitation of forest resources has largely been made possible by the development of the pulp and paper industry. The mills of Canada now produce more pulp and paper than any other country in the world, and the export of newsprint, which prior to the war was insignificant in amount, has risen to second place in value. The total production of pulp in 1928 was 3,610,724 tons, and of this quantity, 76% was manufactured into paper in Canada. The trend is for an increase in the manufacture of pulp into paper in Canada in combination pulp and paper mills, and a decrease in export of pulp and pulp-wood. The total production of paper in 1928 was 28,496,687 tons, valued at \$184,462,356. The production of paper has more than trebled in the past eleven years in Canada owing chiefly to the increase in the production of newsprint. Canada's newsprint production in 1928 was 70% greater than that of the United States, almost double that of the nearest competitor in the world's market.

The development of hydro-electric energy has kept pace with the industrial development of the country. A comprehensive survey of the potential hydro-electric power resources has been made and indicates a total of 43,000,000 horsepower, of which, at the present time, 5,500,000 horsepower has been developed. Canada ranks second in per capita hydro-electric development, being exceeded only by Norway, and also ranks second in total turbine horsepower installation, being exceeded only by the United States. The further development of water power is progressing at a rapid

rate. In the first half of 1929, new developments added almost 200,000 horsepower, and undertakings were under way which when completed will involve a total installation in excess of 2,000,000 horsepower. The production of energy at central electric stations in Canada exceeds 16,000,000,000 kilowatt hours from water power, and is the equivalent of at least 15,000,000 tons of coal.

The almost continual expansion in every line of activity which has taken place since 1924, reached a peak in the early months of 1929. In the late summer, it became apparent that crop conditions were not as satisfactory as in previous years. The wheat crop in particular, which comprises the largest Canadian export, fell off from 566,700,000 bushels in 1928, to 293,900,000 bushels in 1929. Further, the collapse in market values which occurred in the New York stock exchange in November, 1929, has tended to curtail industrial activity and expansion, so that a period of mild depression is being experienced. The basic fundamental values have, however, remained undisturbed, and the country may confidently look forward to a continuing development and general prosperity.

The tendency in recent years to exploit the northern areas of Canada has already been mentioned, and in general it may be said that railway construction in recent years has been directed to that end. The total branch line construction since 1923, has amounted to 3,000 miles, of which the Canadian Pacific extensions comprise 1,600 miles and the Canadian National 1,400 miles. The completion of the railway outlet from central western Canada to Hudson Bay is near at hand. The railway has now been completed, and attention is being directed to the construction of terminal facilities at Fort Churchill. The railways of Canada have participated in the general prosperity of the past five years and have reached unprecedented levels of gross and net earnings. The severe curtailment in traffic in the latter months of 1929 has naturally affected the performance for that year, but the future may be regarded with confidence.

The past decade has witnessed many industrial consolidations in Canada, and it would seem as if there was a definite trend in Canada to the idea of large-scale operations. The

railways of the country are practically consolidated into two large competitive systems; the banking system, which is based on the conception of centralized control of branch banks, there being at the present time nine systems embracing 4,153 branches, and the rapid development of chain stores for distribution of products to the ultimate consumer are all cases in point. Primary producers too, have, by pooling arrangements, undertaken the control of the marketing of their products, two noted instances being the Wheat Pool and the Interior Committee of Direction of British Columbia. The operations of the Wheat Pool are the subject of some controversy, but the development may be considered as a logical outgrowth of consolidations in other lines of activity and should be measured by its success in meeting the usual risks of business undertakings.

A further development which has a distinct bearing upon the future is the increasing mechanization of agriculture. The per capita output of agricultural products has been increasing at a rapid rate, and this is particularly true of the grain crops. A picturesque feature of harvest time in Canada has always been the movement of harvesters to the western plains to assist in harvesting the crop, but of late years, owing to the development of mechanical aids, the movement has dwindled practically to the vanishing point.

In conclusion, it may be said that in the two decades since the Great War, Canada has demonstrated an economic stability and a capacity for expansion which is truly remarkable. The conditions in the fall of 1929 must be viewed in relation to the general trend, and it may be confidently stated that the country is on the threshold of further expansion along all lines of activity, with resulting national prosperity.

Montreal
February 14, 1930

TENDENCIES OF ARGENTINE FOREIGN TRADE¹

Report of Mr. Santiago E. Soulas, President, Soulas and Company,
Buenos Aires

POLITICAL ECONOMY

THE study of Argentine Foreign Trade during a long period shows above all the slight influence which public administration has had, in an economic sense, in the limitation of certain importations, those limitations which have been adopted by many countries, especially since 1918.

In a brilliant analysis, Etienne Antonelli, when studying the customs duties levied by the governments of most countries for the purpose of reducing to the utmost the importation of all those goods which could be manufactured in the country, with the consequent profits for its economy, examined a great number of resolutions taken regarding regulation of imports. He showed that a majority of these resolutions favored tariff increases, but with reference to the Argentine Republic he could cite only a few such projects, such as some phrases contained in the message of President Alvear to the Congress in 1923, the propositions made by Ingeniero A. E. Bunge to the International Congress of Lyon in 1924, and a phrase made by Mr. L. Colombo, President of *La Union Industrial Argentina*.

Indeed, after the promulgation of the last general customs law in 1906, only decrees of merely fiscal character were issued in Argentina. Valuations were fixed for imported goods, customs duties were removed or very low duties imposed on some of the articles which were considered of prime necessity, as, for instance, raw materials and provisions. High duties were applied to a limited number of articles which were considered to be luxuries, such as silk, furniture and works of art, etc., establishing for all the rest a uniform duty of 25% of the tariff value.

While the prices in international trade were increasing, these customs duties declined in the same proportion, since they were based on an invariable tax value. For this reason,

this duty of 25% represented only about 20% of the actual value calculated on the whole importation in 1910, and decreased progressively to only 7.4% in 1919, this being the year of maximum prices. It might appear that this occurred because importation of the goods "free from duty" has been much greater in comparison with the goods liable to duty. Such was not the case, as shown by the statistics of the proportion of duties to the real value of goods "liable to duty," which for the two years cited was 27.6% and 10.6%, respectively.

Subsequently, during the Presidency of Alvear and under the Ministry of Finance of Herrera Vegas, in 1923, the tariff was raised by law to 60%, for the purpose of adjusting the official prices of the tariffs to the real values, the latter being at that time 129% higher than the official prices. This increase of 60% was added to an increase of 20%, already sanctioned in 1920 for fiscal purposes and with the same point of view. These measures, on the one hand, and the general decline of prices during the last few years, on the other hand, have brought back the ratio of tariff to values to that of 1906 to 1910. The last publication of the national statistics corresponding to the year 1928, shows that the proportional charge on the whole of importation reached 16.1% and 23.7% on importation liable to duty.

IMPORTATION FROM EUROPE AND THE UNITED STATES

Belief is current that the North American article is supplanting the European in Argentina, and this opinion is based on a concrete fact which seems to justify it. The average of French products imported into the Argentine Republic in the period of 1910 to 1914, amounted to 9.4% of the total of Argentine purchases abroad, as compared with 6.9% in 1927 (the last year for which statistics of the geographic distribution of Argentine foreign trade are available). As far as England is concerned, this proportion in the same period of time declined from 21.3% to 19.4%. With the products of German origin something similar happened, the percentage descending from 16.6% to 11.3%. While this occurs with the European countries which made and are still making the

largest sales to the Argentine Republic, the United States sales increased considerably in the same period, rising from 14.4% of the total of Argentine imports to 25.4%. The following table shows the proportion of total Argentine imports coming from each of the five countries which are the largest exporters to Argentina:

Year	United States	England	Germany	France	Italy
1910-14	14.4%	31.3%	16.6%	9.4%	8.6%
1920	33.2	23.4	4.8	5.9	4.4
1924	22.0	23.4	12.5	6.7	8.5
1925	23.5	21.8	11.5	6.8	9.0
1926	24.6	19.3	11.4	7.4	8.9
1927	25.4	19.4	11.3	6.9	8.0

A more thorough study of this matter shows that a conquest of the Argentine market has been made by the United States in new merchandise, especially in the automobile line, with all the accessories, such as tires, petrol, oil, spare-parts, all of which had not been imported before the war and which now Argentina buys almost exclusively from the United States.

English coal has been substituted somewhat by North American petroleum. The North Americans have conquered new markets for goods which formerly were not imported, but it is also absolutely indisputable that the European articles have lost no ground in Argentina, in fact sales are increasing with every probability of further augmentation. This affirmation is based upon the following facts: (a) Argentina continues to be a country perhaps with the greatest capacity for absorbing foreign products per inhabitant; (b) the population of the country continues to increase considerably and the growth in every one of the last few years can be estimated at about 300,000 inhabitants, adding 180,000 from natural increase to that from immigration.

VARIATIONS OF IMPORTATION

It is evident that Argentina does not always import the same goods, and the tendency to substitute some products manufactured by the home industry is clear enough. In the food line, as well as in clothing, imported merchandise has

been replaced by national production, among which can be named especially wine, cheese, shoes, all kinds of wool and cotton textiles, furniture, etc.

It is very probable that little by little that curious importation of foodstuffs will be substituted, at least in part, by local products. These foodstuffs are: eatable oils, yerba mate, Spanish beans (*garbanzos*), peas, fresh and dried fruit, rice, preserved tomatoes, olives, etc. Frequently, Argentine economists have called attention to the economic unsoundness of these importations. This is also our opinion, since it would certainly be more profitable to retain this buying capacity for foreign goods which Argentina cannot produce and supplying the Argentine market with the many foodstuffs which this fertile country, extending over different geographic sections of all climates can produce easily and in abundance.

SOME CHARACTERISTICS OF ARGENTINE FOREIGN TRADE

During the last few years, it could be observed that a general and constant tendency existed in importing a greater proportion of reproductive articles and less unproductive articles. The value of the importation of unproductive articles, foodstuffs, beverages, tobaccos, clothing and a great many articles manufactured from wood, paper, leather, iron, and other metals represented, according to official statistics, 62.4% of the total value of the importation in 1917, as compared with 44.6% in 1926 (last year of official publication of these figures). On the other hand, the reproductive importation for transformation, conservation and capitalization, which in 1917 amounted to only 37.6% of the total importation, increased to 55.4% in 1926. The table on page 175, which is based on official figures, shows very clearly the marked tendency of Argentina during the last ten years to import more reproductive and less unproductive articles.

The principal reproductive articles of transformation and conservation were considered to be textile materials, spun or unmanufactured, the products for industrial application: coal, petroleum, paints, colors, iron, steel and other metals not elaborated. The principal reproductive articles of

capitalization were considered to be materials for railways, street cars, electric material, engines and agricultural implements, wires, posts and all construction material.

Years	Unproductive Articles	Reproductive Articles		Total
		Transformation and Conservation	Capitalization	
1917	62.4%	28.2%	9.4%	37.6%
1918	59.1	31.1	9.8	40.9
1919	51.7	35.4	12.9	48.3
1920	50.8	32.8	16.4	49.2
1921	48.9	31.8	19.3	51.1
1922	47.1	32.4	20.5	52.9
1923	49.6	32.7	17.7	50.4
1924	43.3	36.6	20.1	56.7
1925	45.9	34.2	19.9	54.1
1926	44.6	35.9	19.5	55.4

In regard to Argentine exports, the striking characteristic, which calls the attention of any foreign observer, consists in the absolute lack of variety. Nearly the whole value of the export is composed of agricultural and cattle-breeding products. In 1928, the export of wheat, maize and linseed amounted to Gold \$590,000,000, these three products alone representing 57.4% of the total value of exports. The following figures show this peculiarity of Argentine exports, typical characteristics which have been maintained for many years and which will continue for some time to come.

VALUE OF ARGENTINE EXPORTS IN 1928

Maize.....	Gold	\$240,162,212
Wheat.....		224,815,173
Meat.....		133,776,811
Linseed.....		124,927,720
Hides.....		82,083,201
Wool.....		79,980,743
Others.....		143,920,139
Total.....	Gold	\$1,029,665,999

In order to give a clearer idea of this lack of variety, we have made a comparison between Argentine and Canadian exports, as both countries have the same characteristics and are very similar. The following percentages refer to the total value of the exportation from both countries in 1926.

Products	Percentage of Total Canadian Exports	Percentage of Total Argentine Exports
Agricultural.....	46.15	51.94
Cattle-breeding.....	15.23	43.93
Lumber.....	16.23	2.42
Minerals.....	21.17	0.03
Others.....	1.22	1.68
Total.....	100%	100%

The percentage which refers to "Others" in the Argentine exportation is smaller in reality, because the official statistics include an exportation of 200,000 tons to 300,000 tons of coal, which represents coal imported and shipped again in the steamers which take coal here for the continuation of their voyage. It also includes an article the export of which is somewhat like a novelty for Argentina; we refer to scrap iron, which commenced to be exported in 1924 (especially to Italy), when the export duty on it became suppressed. It is not logical that a country which has an annual import of more than a million tons of iron in bars, ingots and worked iron has exported during the last five years more than 200,000 tons of scrap iron and steel. The movement of this exportation since its beginning is shown in the following table.

EXPORTATION OF SCRAP IRON (IN TONS)

1924.....	52,458
1925.....	65,448
1926.....	8,897
1927.....	41,963
1928.....	41,290
Total, 1924-1928.....	210,056

The export of lumber is almost totally covered by one single product: quebracho, in its two forms, quebracho in trunks and extract of quebracho. The mineral export is absolutely insignificant, as shown in the above figures. Through this lack of diversity, the balance of the Argentine foreign trade depends completely on the result of the crops and atmospheric conditions. Any modification of these factors can alter profoundly the balance of Argentine foreign trade.

CONCLUSION

While several conclusions arise from what we have brought out in these lines, there is especially one fact which we consider of great importance. This is that Argentina is and will always be an exceptionally good market for manufactured and semi-finished products, which a country with such economic vitality and of such extraordinary progress will necessarily buy abroad, and especially in Europe, for the development of its own industries. Undoubtedly it must be expected that by degrees importation will show a tendency to substitute articles of a certain type by other types, as happened in the case of shoes and textiles. For the same reason, machinery and semi-finished materials for the home industry will be imported in place of other goods.

Therefore, we advise all those who desire to maintain and increase their commercial relations with Argentina to study closely and continually the new conditions which the evolution of industries and the national economy of Argentina are creating as a result of their magnificent development.

Buenos Aires
October, 1929

SOME PROBLEMS IN INDUSTRIAL ARBITRATION IN AUSTRALIA

Report of Sir Lennon Raws, Managing Director, Imperial Chemical
Industries of Australia and New Zealand, Ltd., Melbourne

THE last Federal election in October, 1929, which resulted in the decisive defeat of the Government, was fought on the question of Industrial Arbitration.

Under the Constitution of the Commonwealth, power is vested in the Commonwealth Parliament to legislate with respect to "conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State." Each of the States has its system of industrial regulation, either in the form of Wages Boards or Arbitration Courts or Commissions. A Federal Arbitration Court was established in 1904, and through a series of judicial decisions and the policy of trade unions, its jurisdiction has gradually extended over practically every industry, as well as banking and insurance institutions, whether of an interstate character or not. The policy of the trade unions has been to "manufacture" interstate disputes so as to bring them under the jurisdiction of the Federal Court, and to play off the Federal Court against the State Court and vice versa. This has resulted in serious overlapping of awards, which has been a grave handicap to industrial peace and to industry generally. The authority of the Federal Court has been undermined by several of the larger and militant unions which openly flouted the awards which the Court had no power to enforce. All it could do was to de-register a Union, which meant that the latter was free to resort to direct action.

On four occasions an appeal has been made to the country by way of referendum for increased powers to enable the Federal Government, by amending the Constitution, to assume complete control of industrial regulation and thus eliminate the duplication of awards and overlapping of authorities. On each occasion the people have voted against

any increase in powers to the Commonwealth. The last appeal was by the Bruce Government in 1926 after serious trouble on the water-front.

In 1928, the Bruce Government tried to do the best with the powers it had and amended the Arbitration Act to provide, amongst other things, for penalties for non-observance of Awards, and for secret ballots in the Union. Despite this, further serious disputes developed, and, though the unions concerned were de-registered by the Federal Court and heavily fined (which fine they did not pay), it was obvious that some drastic action had to be taken to deal with a position which was rapidly becoming intolerable.

The then Prime Minister, Mr. Bruce, asked the States if they were prepared to hand over to the Commonwealth Government full control of the regulation of industry. The States declined to do this, and Mr. Bruce thereupon announced that the Commonwealth would retire from the field of Arbitration, with the exception of such industries as the shipping and waterside industries, which are definitely of an interstate character. In pursuance of this, a bill was introduced into the Federal Parliament last August proposing the abolition of the Federal Arbitration Court, and for the creation of committees to regulate the maritime industry, these committees to be composed of representatives of the industry itself. The measure passed the second reading stage, but an amendment to defer the operation of the Bill until a referendum or a general election had been held was carried by one vote despite the opposition of the Government.

A general election was held at which the Government was heavily defeated, and it has now been replaced by a Labor Government.

The position is that the people have refused, on the one hand, to grant increased powers to the Commonwealth, and, on the other hand, have defeated the Government which accepted the logical conclusion and proposed that the Commonwealth should withdraw from the industrial field except in relation to industries of an interstate character.

That the new Labor Government is not satisfied with the position is shown by the fact that the Prime Minister, Mr. Scullin, shortly after assuming office stated that the

Government proposed to amend the Federal Arbitration Act, and he invited the management committee of an industrial peace conference which met last year to resume its deliberations. This conference was handicapped last year from the start by the fact that the militant section of the Labor Party was hostile to it, and it broke down when the Trades Halls of Brisbane and Sydney withdrew their delegates. Continued opposition from this quarter has prevented the Conference from resuming in response to Mr. Scullin's invitations.

Mr. Theodore, Treasurer in the Scullin Ministry, as Director of the Election Campaign, promised that if Labor were returned to power the industrial trouble on the Newcastle coal fields which had closed the principal collieries in New South Wales since March, 1929, would be "settled in a fortnight." A Conference was called by the new Government and a settlement reached, but owing to the resistance of the militants, the miners refused to endorse it, and the mines have remained closed. Much bitterness has been displayed by the extremists towards the Government by reason of Mr. Scullin's refusal to countenance unconstitutional methods, e. g., expropriating the coal owners.

Just before Christmas the Federal Arbitration Court intervened and made an interim award. An appeal to the High Court resulted in a majority decision that the award was bad in law. The Union then served a new "log" on the owners and contended before the Court that an interstate dispute existed. The same Judge made the same interim award against which the owners again appealed.

The High Court, by a majority judgment, has reaffirmed the decision that the interim award was bad in law and void. The unions have now appealed to the Federal Government to use its trade and commerce powers to re-open the coal mines under pre-stoppage conditions, but it is unlikely that the Government will intervene in this direction.

The present situation is therefore that after twelve months the position is where it was when the mines closed down. The owners state that they cannot pay the rates of pay sought by the miners, and the men, through their representatives, maintain that they will not work for less.

In the meantime it is reported from the coal fields that the influence of the extremists is weakening and that there is likelihood of the settlement arranged last December being accepted.

Severe financial stringency experienced by all the Governments owing to the unfavorable market for oversea loans, coupled with industrial depression due to lower prices of wheat and wool and a shortage of about 40 million bushels in the wheat harvest, have caused considerable unemployment which is helping the moderate section of the labor party. At the last meeting of the combined trade unions, a proposal to rejoin the Pan-Pacific Secretariat was narrowly defeated.

Melbourne
March 4, 1930

ECONOMIC CONDITIONS IN JAPAN DURING 1929

Report of Baron Koyata Iwasaki, President, Mitsubishi Company, Tokyo

GENERAL SURVEY

THE year 1929 continued to be marked by a state of business stagnation which has persisted for some years past. The situation has been aggravated by declining prices, particularly during the second half of the year. This downward tendency in price levels had its source, not so much in the unfavorable economic situation itself, as in the discrepancy which had existed for a number of years between the price index in this country, as compared with the rest of the world. With the prospective abolition of the gold embargo has come a realization of the necessity of a readjustment which would lead domestic prices into greater harmony with international values.

The readjustment has been stimulated by the gradual appreciation of the Japanese exchange rate and received an additional impulse from the policy of radical financial retrenchment practiced by the present Government. Moreover, the entire nation responded in the same spirit by dispensing with luxuries as far as possible. Negative as these measures were, they proved necessary and successful in the circumstances. In spite of earlier indications, the foreign trade during 1929 has shown satisfactory results as well as the smallest import surplus in recent years. The more liquid balance of international payments made it possible to accumulate ample specie reserves abroad in preparation for the return to gold status.

It was but natural that the second half of the year, in particular, should feel the full force of economic depression. The new policy as regards the gold embargo and many consequent measures of fiscal retrenchment had the effect of lowering prices and restricting business transactions. The period was, however, spared the fitful instability which characterized the earlier months of the year, and which arose

because of conflicting tendencies, caused by rumors and counter-rumors, as to the nearness of the removal of the embargo.

BANKING AND MONEY MARKET

The weeding-out process of banking institutions has continued throughout the year. During the past five years the total number of banks has been reduced from 1,799 to 1,007, involving the disappearance of 792 units. There appears to be a possibility that the tendency towards fusion may be overdone, the financial authorities, therefore, while continuing to encourage union in highly competitive districts, do not sanction amalgamations which would withdraw banking facilities from provincial districts and inflict hardships upon local traders and manufacturers.

COMPARISON OF MONEY RATES IN JAPAN AND THE UNITED STATES

Period	Call Money				Discount Rate			
	Tokyo		New York		Osaka (Spinners, Bills)		New York (Prime Bankers' Acceptance, 90 days)	
	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
1927, average . . .	4.68%	4.05%	4.67%	3.70%	6.65%	5.26%	3.61%	3.54%
1928, average . . .	4.05	2.69	7.88	5.05	5.01	3.40	4.28	4.11
1929, first-half . .	4.05	2.99	13.67	6.42	5.34	3.27	5.40	5.17
last-half . . .	4.05	3.06	10.20	5.33	5.54	3.43	4.90	4.67
average . . .	4.05	3.03	11.94	5.88	5.44	3.35	5.15	4.92

The money market has shown the same paradoxical condition which has been a feature since the second half of the year 1928. Funds are cheap and excessive for the most liquid uses, but funds are not plentiful or cheap for slowly maturing loans and for minor traders and manufacturers. In view of the abolition of the gold embargo, there is a growing disinclination among bankers to finance long-term loans, as the influence of an inevitable outflow of gold on post-embargo money rates cannot be foreshadowed with certainty. It is, however, confidently hoped that no abrupt change in tendency will take place, because of the fortuitous circumstance of declining interest rates abroad, the discrepancy between rates in this country and those prevailing in the United States having considerably narrowed towards the end of the year.

PRICE CONDITIONS

The price index during the year 1929 has shown a decided decline which was particularly pronounced in the second half of the year. Compared with the index figure at the beginning of 1921, which showed an unnatural divergence from price conditions abroad, there has been a decline of 27.5%, about one-third of which was experienced during the single year of 1929.

DEVELOPMENT OF BANK DEPOSITS, TRUST DEPOSITS AND
POSTAL SAVINGS
(In Million Yen)

Period	Bank Deposits (Commercial Banks)		Trust Deposits		Postal Savings	
	Amount	Increase (+) or De- crease (-)	Amount	Increase (+) or De- crease (-)	Amount	Increase (+) or De- crease (-)
December, 1926 . . .	9,031	..	439	..	1,156	..
December, 1927 . . .	8,906	-125 (1.38%)	710	+271 (61.73%)	1,523	+367 (31.75%)
December, 1928 . . .	9,216	+310 (3.48%)	1,009	+299 (42.11%)	1,743	+220 (14.45%)
December, 1929 . . .	9,213	-3 (0.03%)	1,163	+154 (15.26%)	2,051	+308 (17.67%)

COMPARISON OF PRICE INDEXES IN JAPAN AND THE
UNITED STATES
(Base, 1913=100)

	Japan			United States (Bradstreet's)
	General (53 Items)	International Consumption (42 Items)	Domestic Consumption (11 Items)	
1921, first half	253	187	259	126
last half	214	195	290	121
average	234	191	275	123
1928, first half	169	153	229	146
last half	172	156	230	143
average	171	155	230	144
1929, first half	169	154	226	139
last half	161	148	213	136
average	165	151	220	138

The discrepancy between the price indexes in the United States and Japan, based on the year 1913, which was 31 points at the end of 1928, has been reduced to 20 points in December, 1929. The difference is still further reduced to

7 points when considering commodities of international consumption only, leaving aside domestic specialities. A full approximation to international price levels after the abolition of the gold embargo is, of course, imperative in the interest of the country's balance of trade, nor should the realization of this aim in a measurably near future prove very difficult. There is still great scope for lowering production costs in individual establishments, and the rationalization of industry has scarcely begun.

INDUSTRIAL AND COMMERCIAL SITUATION

Industrial production has been fairly active during 1929, especially during the second half of the year. The index of production, based on the most important industries and on the development of the five years 1921-1925, increased beyond the average rate of progression, as shown in the following table:

Year	Trend Figure	Real Index	Increase (+) or Decrease (-)
1927, average.....	134.71	131.86	- 2.85
1928, average.....	143.64	140.16	- 3.48
1929, first half, average.....	150.34	150.95	+ 0.61
last half, average.....	154.80	167.84	+13.04
average.....	152.57	159.40	+ 6.83

Curiously enough, the increase in production was greatest during the second half of the year, when the decline in prices and complaints about the depressed economic conditions were particularly severe.

The increase in production was partly attributable to greater activity in the export trade. The demand in the home market was languishing, commercial transactions and all kinds of business enterprise undergoing a severe restriction in anticipation of the abolition of the gold embargo. The depression in the home market is evidenced by the greatly reduced volume of railway goods traffic, total arrivals at and withdrawals from warehouses, bank clearings and new capitalization, as may be seen from the table that follows:

Year	Railway Goods Traffic (Average in Thousand Tons)	Bank Clearings (Average in Million Yen)	Arrivals at and Withdrawals from Principal Warehouses in Tokyo (Average, in Million Yen)	Capitalization Including In- crease of Capital and New Incorporation (Total in Million Yen)
1925, average.	5,262	6,926	47	1,330
1926, average.	5,539	7,404	46	1,678
1927, average.	5,560	5,204	48	1,558
1928, first half.	5,697	5,519	48	718
last half.	5,649	5,877	43	771
average.	5,673	5,698	45	1,488
1929, first half.	5,715	5,549	42	709
last half.	5,552	4,968	39	333
average.	5,633	5,258	40	1,042

The result of foreign trade during 1929 was fairly satisfactory, both exports and imports showing large increases. The expansion of exports was especially gratifying because of the consequent reduction in the unfavorable balance of trade and its bearing on the outflow of gold. Exports, especially during the later months of the year, were helped materially by the rising tendency of the Japanese exchange rate, while the same tendency discouraged imports which, moreover, suffered from the various measures of retrenchment. The recovery of Japanese trade with China from the effects of the boycott movement was severely handicapped by the still unsettled political situation in that country, and, towards the end of the year, by the great slump in the value of silver.

DEVELOPMENT OF FOREIGN TRADE¹

(In Million Yen)

	Exports	Imports	Total	Excess of Imports
1927	2,065	2,359	4,424	294
1928	2,038	2,373	4,411	335
1929	2,218	2,389	4,606	171

CONCLUSION AND OUTLOOK

It is still too early to speculate upon the influence of the abolition of the gold embargo which takes effect on January 11, 1930, as the post-embargo period will be largely governed by the flux of events at home and abroad. It is generally admitted that there will be a moderate exodus of gold for the purpose of replenishing exchange funds abroad. The volume of such outflow should be curtailed by the fact that interest rates abroad are showing a downward tendency and may in

¹ Figures include trade of colonies with foreign countries.

the near future approximate Japanese rates. Against this favorable factor must be set the effect of the business recession in the United States, the principal customer for Japanese raw silk, which renders the prospect of this staple export product less rosy. The export trade of the textile industry is also likely to be affected by the severe slump in silver quotations. When, in addition, the necessity of a further price readjustment is envisaged, it appears evident that the somewhat difficult economic situation in Japan is likely to continue for some time to come.

In view of the curious fact that what is generally bewailed as a deep-rooted depression has lasted in Japan far longer than elsewhere, it is worth while considering whether the complaints in this connection are not exaggerated. The index figures of production, especially those for 1929 referred to above, certainly suggest that there has been uninterrupted progress during the past several years. This country has had the doubtful luck of being, by fortuitous circumstances, carried to heights of abnormal prosperity and expansion on several occasions in the past, and the brilliancy of these periods naturally overshadows the difficult but tenacious development of ordinary years. It would, however, be unjust to apply the criterion of extraordinary prosperity to normal development. There are probably hardly any industries in Japan whose difficulties need be of a fundamental nature. The growing population of the country and the gradual development of a whole continent form a bulwark against the danger of near saturation. The position in the cotton spinning industry, for instance, is admittedly unsatisfactory at present, but its basic soundness and actual business results still compare favorably with similar enterprises in Europe and America.

With the exaggerated hankering after times of exceptional prosperity, there exists a natural reluctance to reduce excessive capitalization, or cut losses where necessary, instead of which there is a tendency to seek salvation in artificial devices for maintaining prices which in the end stifles consumption.

It will be one happy consequence of the abolition of the gold embargo, which will bring Japanese price conditions

into line with international levels, to focus attention on the possibilities of reducing the cost of production by suitable measures of reorganization. The Government has made the early rationalization of the national economy one of its most important policies in regard to the post-embargo period. A temporary committee, including an executive bureau, has been established to provide the ground work which will be complemented by active measures on the part of the business leaders of the country.

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RECENT LABOR CONDITIONS IN JAPAN

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INTRODUCTORY REMARKS

IN reviewing labor conditions in Japan, it should be borne in mind that, owing to the complexity in adjusting the great social, political and economic problems arising one after another in recent years, the labor situation is far from being stabilized. The difficulty lies primarily in assimilating centuries' old customs and ideas with the influx of western mentality accompanying necessarily the adoption and increase of organized industries on Occidental lines. Moreover, the difficulty is being greatly accelerated through the economic disturbances due to the post-war slump and the great earthquake disaster, as well as the decreased consumption due to the recent retrenchment policy of the government.

WORKING POPULATION

Though industry in Japan has shown considerable development lately, it has not yet emerged from the status of an agricultural country. According to the first National Census taken in 1920, for instance, the number of persons engaged in agriculture, including fishery and subsidiary occupations, was 14,686,000 out of 26,626,000 engaged in all occupations in Japan Proper, or 55% of the total, while the number of working operatives in industries, including mining and transportation, stood at 6,762,000 representing only 25% of the total.

In the observation of the industrial condition of Japan there are two peculiarities which cannot be overlooked. One peculiarity is that the number of small-scale factories represents a very high figure, as the result of which small factories, employing less than fifty workmen, aggregated in 1926 eighty per cent of the whole, as is shown in the following table:¹

¹ The figures are based on investigations conducted by the Department of Commerce and Industry.

	Number	Percentage
Total number of factories.....	51,906	100.0
Number of factories employing from 5 to 10 workers.....	26,474	51.0
Number of factories employing from 10 to 50 workers.....	20,245	39.0
Number of factories employing from 50 to 100 workers.....	2,612	5.0
Number of factories employing from 100 to 500 workers.....	2,045	3.9
Number of factories employing from 500 to 1,000 workers.....	282	0.6
Number of factories employing over 1,000 workers.....	248	0.5

Besides the statistics shown above, it must be remembered that a very high percentage of Japan's production is dependent upon her "home industry" or seasonal family work which, we regret, cannot be indicated in statistical figures.

Another peculiarity is the considerable number of female operatives. According to an investigation made in 1926, out of a total of 1,875,195 workers, 981,361 or 52% were women. This is due to the fact that in dyeing and weaving factories, which are the principal industries in Japan, women workers are the chief factor. The workers employed in various industries in the same year, classified according to sex are shown in the following table:

Kind of Industry	Total Number of Operatives	Male	Female
Dyeing and weaving.....	998,447	187,103	811,344
Machinery and tools.....	305,327	286,330	18,997
Chemical.....	176,312	123,444	52,868
Food and drinks.....	167,144	124,350	42,794
Mining.....	293,562	225,620	67,942

Let us now look at the general trend of the number of factory hands. Though it had been increasing year after year, it began to decrease in 1926 as a turning point, the following being the index numbers showing its course:

Month of Year	Total	Male	Female
Monthly average of 1926.....	100.0	100.0	100.0
December, 1927.....	91.8	96.6	87.3
December, 1928.....	90.1	98.2	82.4
November, 1929.....	91.2	98.4	84.2

From the above figures we note a remarkable decrease in index numbers within the last three years. This tendency

is particularly noticeable in the case of female operatives. This is believed to be attributable to the hard times which the spinning and reeling industries have encountered, although there is no doubt that the number of industrial workers has been tending to decrease all around and gradually, mainly due to the rationalization and retrenchment policies increasingly obtaining in the industrial world of Japan in recent years.

WAGES AND WORKING HOURS

According to the provisions in the Factory Law, wage payment should be made in currency at least once a month, and in practice monthly payment is a general rule. Wages are computed on the basis of time-wage, piece-rate, or the combination of the two. In Japanese factories and mines, it is customary to give to the workers and miners, besides regular wages, a bonus every month or semi-annually, according to the merits of individuals. In large-scale factories and mines, we also find that various lines of welfare work are undertaken.

Especially in reeling, spinning, and textile factories, where female operatives are chiefly employed, dormitories are built for the majority of them. Housing and food are provided free of charge, and in leisure hours there is even a system of giving them general education and domestic training. These arrangements supplement their wages, contributing greatly towards a better living condition. It will be seen, therefore, that under such circumstances it is not easy to collect accurate and strict wage statistics in Japan, but the following figures will be helpful to form a general idea about the latest standards of wage.

When we make a comparison between the actual wages and commodity prices, we can observe that the wages rose considerably under the influence of the rise in commodity prices during and after the war, but even when the commodity prices tended gradually to fall, the wages have not shown corresponding change.

Owing to our religious and social customs, the weekly off-day system is not yet universally observed, with the excep-

ACTUAL TIME-WAGE TABLE¹
(In Yen)

Factories	November, 1929	
	Male	Female
Textile and dyeing.....	1.583 per day	0.989 per day
Machinery and tools.....	2.934 " "	1.197 " "
Chemical.....	2.075 " "	0.942 " "
Food and drinks.....	2.014 " "	0.950 " "
Miscellaneous.....	2.274 " "	1.087 " "
Average.....	2.289 " "	0.991 " "

Mines	September, 1929	
	Male	Female
Metal.....	1.872 per day	0.700 per day
Coal.....	1.851 " "	1.254 " "
Oil.....	1.781 " "	0.832 " "
Average.....	1.853 " "	1.186 " "

tions of schools, government and public offices, banks, and big business offices. The law provides for two off-days a month only for female operatives and young laborers employed in factories and mines. Although there are many legal limitations, it can be said that the general tendency in recent years is to curtail working hours gradually and voluntarily. The following were the average net daily working hours and days in the principal industries for the month of November, 1929:²

Kind of Industry	Working Hours	Working Days
Reeling.....	10.54 (339)	28.0 (339)
Spinning.....	8.44 (195)	28.2 (195)
Machine manufacturing.....	9.44 (182)	27.1 (181)
Metal refining.....	9.37 (7)	29.4 (7)
Paper manufacturing.....	10.42 (91)	28.5 (91)
Printing and bookbinding.....	9.47 (188)	27.0 (192)
Coal mining.....	9.00 (89)	25.7 (102)

UNEMPLOYMENT

Unemployment has not been a serious problem in Japan until recently for the following reasons. Of about two mil-

¹ Based on the investigations conducted by the Bank of Japan.

² The figures in parentheses indicate the number of factories and mines investigated.

lion workers employed in factories and mines, about one-half consists of female operatives. These are almost wholly short-term workers, temporarily separated from their parental homes for the purpose of earning their matrimonial expenses or for making up the deficiency of their household economy. Every factory has to spend at the start a considerable sum of money to induce them to join its working staff. And hence in their case there is practically no problem of unemployment. In regard to male operatives, they come mostly from agricultural districts, and can go back to farms in time of industrial depression. It may also be noted that because of slow development of trade unionism, they are at liberty to change their employment from one line of work to another. For these reasons, there have actually been very few workers unemployed. Moreover, in addition to the legal requirements of giving fourteen days of previous notice for discharge and of paying discharge allowance, it has been customary for employers to give a sum of discharge and retiring allowance in proportion to the number of years of service. This helps the workmen a great deal in sustaining their livelihood while looking for jobs. The system of discharge and retiring allowance is but an instance of the custom under the ancient family system remaining in force. Though there is no special law which binds employers, it is a general rule for them to give to discharged employees an allowance at the rate of one month's pay for one year's service and for two or more years' service at correspondingly increasing rates. In addition, the social organization of Japan is based upon a family system in such a way that even when they are not legally bound to do so, the relatives, friends and neighbors as well as persons from same localities are accustomed willingly to give material support and to assist in finding jobs for those who are in distress. Under such circumstances, unemployment in Japan has not heretofore presented such a serious aspect either as an industrial or a social problem as in western countries. The problem has, therefore, been chiefly limited to finding jobs for those unskilled casual laborers for construction works who have no definite residence and go daily from one place to another in

search for employment, and also to making a study of relief measures for the off-season during which jobs are scarce.

The findings of the country-wide investigations made on November 1, 1929 by the Social Affairs Bureau of the Home Department in connection with the number of the unemployed are as follows:

Kind of Workers	Number Investigated	Number of Unemployed	Percentage of Unemployed
Wage-earners.....	1,600,090	61,808	3.36
Day-laborers.....	1,568,332	114,741	7.52
Other laborers.....	3,716,984	123,646	3.33
Total.....	6,885,406	300,195	4.36

From the above statistics it will be seen that unemployment in Japan is represented more by unskilled day-laborers. But the depression of the industrial world has become more acute during the past two or three years, while the scientific management and industrial rationalization have been earnestly studied and adopted. It is generally believed that henceforth the unemployment problem for skilled laborers will gradually grow more serious.

TRADE UNIONS

In Japan, there is no special legislation in regard to trade unions, which may legally be organized without any restrictions. It is within the last ten years that the unions have actually been organized, particularly influenced by radical socialistic ideas, which have gained a vogue among the intelligentsia since the world war. Under such circumstances, the movement of trade unionism in many cases is not quite so much an economic movement as a thought movement. This state of things obstructs the sound progress of trade unionism in Japan, because it cannot command the support of serious-minded laborers, and prevents cooperation on the part of the industrial employers. According to the investigations made by the Social Affairs Bureau, the number of laborers belonging to trade unions is approximately 300,000 out of a total of 5,000,000 laborers, or 6.6 percent. Trade union statistics for a number of years are given in the accompanying table.

Year	Number of Trade Unions	Number of Union Members
1911.....	about 40	unknown
1918.....	107	"
1921.....	300	103,412
1925.....	457	254,262
1929.....	541	321,125

In many large factories and mines, the employers are encouraging their employees in establishing an employees' organization for the improvement of their living conditions and also as a means of their mutual help in case of distress and other special occasions requiring extraordinary expenditures to which the employers contribute a substantial fund. This movement seems to be gaining favor among workmen, as shown by their increasing number joining the organization. Already over 500,000 men are enrolled in such organizations.

LABOR LEGISLATION AND WELFARE WORK

Of the laws now in force relating to the employment of laborers, the following ones may be mentioned: The Factory Law, the Mining Law, and the Minimum Age of Industrial Employees Law. According to these laws, the employment of young laborers under fourteen years of age is prohibited as a general rule in all industries. For female operatives and young laborers under sixteen years of age, working in factories where ten or more operatives are employed, or in which dangerous and harmful operations are undertaken, and in all mines, provisions are in existence in regard to working hours, limitations and prohibition of night work, off-days and recess hours, protection of motherhood, prohibitions of exploiting them in dangerous and harmful operations and so forth. At the same time, there are detailed regulations for all laborers concerning the employers' duties for compensation, employment and discharge of laborers, payment of wages, apprenticeship, etc.

As for protective legislation for laborers, there is the Health Insurance Law, which is compulsory for certain factories and mines and optional for other factories. In case of laborer's death, childbirth, and injury and sickness, it provides for medical treatment (within a fixed limit), sickness

benefit, burial expense, and mother's benefit. In this case, the government pays as subsidy about 10% of the outlay, and the balance is, as a general rule, to be borne 50% by employers and employees each.

Some other labor laws may be mentioned. They are the Labor Disputes Conciliation Law, which sets forth a voluntary conciliation system for labor disputes, and the Employment Exchange Law, which lays down a government duty to establish Employment Exchanges for laborers.

It may not be out of place to point out the fact that, in addition to these laws for protecting laborers, there are in Japan many measures voluntarily adopted by employers for the benefit of laborers. For instance, in quite a number of industries, even before the enforcement of the Health Insurance Law, a mutual Benefit Society was established to look after the laborers in case of death, sickness and other misfortunes, the majority of outlays for such undertakings being borne by the employers alone. Without waiting for legal compulsion, the employers have also started various lines of welfare work, such as selling the articles of daily necessity at a minimum profit, building homes, dormitories, and hospitals, etc. There are instances in which money spent in these lines of welfare work amounts to from 10% to 30% of the wages. Moreover, the shop committee system, safety movement, profit-sharing system and other systems are being tried so far with satisfactory results.

Tokyo
March, 1930

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